



Western India Regional Council
of The Institute of
Chartered Accountants of India
(Set up by an Act of Parliament)

Virtual CFO SERVICES



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Virtual **CFO SERVICES**

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Foreword

Dear Professional colleagues,

It gives me immense pleasure to present before you the WIRC Publication on **“Virtual CFO Services”**.

In the current digital age, many businesses have realigned or are in the process of realigning their business practices. The one critical aspect that is also under the lens is that of the CFO.

As finance professionals we understand that the CFO serves a vital and indispensable role in the functioning of a company. However, many businesses either do not have the bandwidth to appoint a CFO or find themselves in a situation where increased number of projects amidst tight deadlines have stretched company resources. This is where the Virtual CFO Services come into the picture.

The virtual CFO is a concept that allows businesses of any size to benefit from the services of a CFO without having to hire a full-time employee. The role of a Virtual CFO is to be a forward-thinking strategist whose primary purpose is to provide strategic insight to help move the needle forward in business. A Virtual CFO helps to provide financial intelligence that will increase cash flow, boost profit margins and streamline business growth. No business is too big or too small to benefit from Virtual CFO services.

At WIRC of ICAI, we ensure that members and students are always kept informed of new professional opportunities for their professional growth and we believe that going forward this would be a new and very lucrative vertical for Chartered Accountants.

To that end, we are proud to release this **“Virtual CFO Services”** publication which will go far in guiding everyone at large on the new opportunity for our fraternity. This guide is a proactive effort to increase awareness and highlight the critical aspects in providing the Virtual CFO Services to a new generation of Chartered Accountants.

I acknowledge and appreciate the efforts put in by my colleague in the Regional Council **CA Chintan Patel** and am grateful to the contributors viz. **CA. Sunil Pandey, CA. Hardik Shah, CA. Karan Rathi, CA Sunil Shah** and **CA. S. M. Ranga** for sharing valuable inputs for this publication. I also take this opportunity to thank the coordinators **CA. Vandana Dodhia** and **CA. Ashish Bakliwal** who ensured the smooth and efficient working leading to the speedy publishing of this guide.

I am confident that this publication will help members add to their bouquet of services and grow the profession in new arenas in the digital age.

8th October, 2020
Mumbai

CA. Lalit Bajaj
Chairman, WIRC of ICAI



Preface

It gives me immense pleasure to come out with Publication on '**Virtual CFO Services**' – *an outsourced service provider supporting small/medium size enterprises in its growth, like Chief Financial Officer (CFO) of a large entity.*

Many challenges are being faced by the organizations in terms of growth, financial aspects, accounting as well as management. Small/medium entities and Start ups usually cannot afford to employ a whole time Chief Financial Officer (CFO). This need has given a birth to new concept 'Virtual CFO' wherein the organisation can take these services on consulting basis.

This is an **emerging field** for Chartered Accountants, with a **tremendous potential to grow in future**. The Chartered Accountants having core expertise on accounting, taxation, finance and experience of providing value added services including cost control and strategy advisory can play a pivotal role in providing the services.

The publication titled as '**Virtual** CFO Services however it encompasses the entire gamut of CFO services provided by way of various modes like virtual, interim, assignment based and support services. The different types of services expected from this **role, process and methodology, reporting and various tools** of providing the services are explained with the practical aspects. At the end of the publication, the **real case studies** with the details of client requirements, role outsourced as CFO and the solution provided, have been included to provide actual insight of practical scenario.

I am thankful to all the **contributors CA. Sunil Pandey, CA. Hardik Shah, CA. Karan Rathi, CA. Sunil Shah and CA. S. M. Ranga** for sharing their knowledge and experience in the publication, and sparing their valuable time amidst Covid-19 challenges. I am also thankful to all the members of the committee with special mention of **CA. Vandana Dodhia and CA. Ashish Bakliwal** for their sincere and dedicated efforts in **co-ordination** and vetting so as to ensure that the publication can be made available to the members quickly.

I am confident that this publication would be **useful** to the Chartered Accountants in understanding the role and responsibilities of emerging practice avenue 'Virtual CFO Services' and also act as a **guide** during execution.

8th October, 2020
Ahmedabad

CA. Chintan N. Patel
Regional Council Member



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Introduction



Introduction

Virtual CFO – A Global Scenario

In the unprecedented times that we live in, organisations are rapidly re-aligning their business strategies. Undoubtedly, CFO is one such leader who directly contributes to a company's financial health and organisational strategy. The CFO function has been evolving over the years. Finance leaders need to define the vision in terms of people, processes, and structure and prepare them to make the shifts towards the future state.

Virtual CFO – An Indian overview

"The CA community looks after the economic health of society"
Hon. Prime Minister of India- Shri Narendra Modi

"India's great economic boom, the arrival of the Internet and outsourcing, have broken the wall between provincial India and the world."

— Management Guru-Aravind Adiga

The way, in which start-ups are mushrooming in India, it has generated a huge requirement of specialised services providers. Even the large corporates require professional assistance in handling CFO office. The VIRTUAL CFO service is one of such requirements. The person or Team who provides Virtual CFO services are known as CFO Service Provider (CSP).

For start-ups, small and medium enterprises, keeping fixed costs at a low level is a primary requirement and outsourcing services provide them with the flexibility of choosing services as and when required and keep a tap on fixed costs. For large corporates, the service offers professional assistance for quality performance of time bound assignments which are non-recurring/exceptional in nature.

By large, a CSP provides expert financial assistance to these firms and companies at affordable cost if compared with a full time CFO. Though the CSP is available for less time in person, however he/she is available for the clients 24X7 virtually.

The CSP participates in all managerial and operational activities and provides expert assistance at all levels to all stakeholders involved. Moreover, he works hand-in-gloves with the promoters and senior management of the Company.

In today's ever-changing scenario the Virtual CFO Service is the best solution that provides right financial advice and professional level execution of such needs. In today's fast changing marketplace, choosing a right partner like CSP helps the Companies sustain and gain an advantage over their competitors. The expertise of a CSP provides the best financial advice and solution for a wide range of business issues.

Virtual CFO Services – Brief overview

*"No outsourcing the "soul" of the company - let's all agree to that.
But most companies are more body than soul."*

— Steven Pearlstein

The CFO support Service as Virtual CFO is an emerging trend among the client and financial professional.

It is a well-known fact that CXOs (CEO, CFO, COO, CMO, CRO) plays very crucial role on driving growth, economic stability.

At times, even short-term results (that may eventually become causes of potential failure) are too easily overlooked. In the overall organisation set up, CFOs are often best placed within this executive group to identify and raise those risks or challenge business assumptions at the Executive board.

Virtual CFO Service offers the best possible alternate especially in case in which CFO is not on board, for some reason or other...

The Contemporary Chief Financial Officer (CFO) role is changing. It is becoming more strategically focused, more value-focused and more future-focused.

The job of Modern CFOs today is more important and more complex than ever and the role of the conventional CFO is changing dramatically.

In fact, CFOs are now expected to play diverse and challenging roles because

Pressures on CFO function by external stakeholders

- Increased regulations on finance function.
- Increased disclosure levels.
- Peer comparison by regulators.
- Increased governance and oversight; Stringent examination requirements; Reputational risks. (by investors, regulators, creditors, auditors, etc.)

Pressures on CFO function by internal stakeholders –

- Earnings & budget pressures; Scarce resources and skills.
- Inefficient business and processes.
- Internal coordination challenges; Inadequate decision support; Technological limitations; Need of increased system scalability. (by business executives, management, promoters, etc.)

Over and above providing services at par with regular CFO as 'the steward', the CSP also offers the role of 'the Strategist' by providing direction to build the business model and imbibe the financial culture and discipline.

Business owners very often face the problem when a regular CFO is not on board or at times, it is not cost effective to appoint an in-house CFO on a full-time basis. Virtual CFO Services are the best solution in such situations.

Virtual CFO services empower clients to get assistance from CSP at an attractive price point with a perfect blend of professional acumen, vision, leadership, performance & integrity.

The CSP will enable business in resolving all the issues that leadership teams face financially, and eliminating the sources of financial crises, while also protecting the accounting integrity.

Clients who are looking for professional assistance for their small to midsize business will get the expert virtual CFO service fulfilling all their business needs.

Even the larger corporates, having full time CFO working with them, may take virtual CFO services for their Subsidiary/Joint Ventures and CFO support services for their existing CFO offices.

CFO Service Provider (CSP)

A CFO Service Provider (CSP) is an individual or an entity comprising professionals offering Virtual CFO Services as a Team.

Virtual CFO services are not limited to dealing with numbers. CSP works as a mentor with HODs helping them in agile decision making, scenario planning, and decentralized decision making. Rather than being fully focused on numbers, budgets, and reports, CSPs are adopting a much broader approach which is changing the way they add value to their business. As well as managing finances, today's CSPs are increasingly expected to provide guidance and advice to the CEO and board on a range of other issues

CSPs are focusing on whether a company's business model and financial processes are fit for purpose today and, more importantly, if it is fit for the future goals.

CSPs are backed by experience, resources such as manpower, IT systems, office infrastructure, communications tools and most importantly having his entire team with diversified work experience to support his assignment as Virtual CFO.

*"The shared CFO services provide a broader point of view
to the businesses and help stabilize the system fast.*

Also, it is not a permanent cost on P&L and Balance sheet"

— Kailash Gupta, CFO, INOX, an entertainment multiplex company.

Virtual CFO Services – How Offered and Why?



Virtual CFO Services – Offered as

Virtual CFO

Also known as “Outsourced CFO”/“Shared CFO Services”

Virtual CFO services are provided to the businesses who have not appointed an in-house CFO (Chief Financial Officer).

It offers an immediate solution to the acute problems of Entrepreneurs/business entities at the initial stage of business towards business financial planning, setting up of accounts/finance department and Management Information System (MIS).

During upgrade/change over/exit stage of running businesses, with the advice & execution support of Virtual CFO Services providers, the business challenges are handled most effectively by availing their financial and professional advice, analysis, and support to the management in any concern area not limited to the finance department but business as a whole.

CFO is a recognized management authority which is sometimes out of budget for small enterprises, start-ups, and SMEs. Therefore, there is a requirement to have a virtual CFO.

It is a way for small businesses to get CFO support that they would have not been able to afford previously.

Interim CFO

At times, the business operations face big problem when the existing CFO suddenly quits/not available for long period due to any reason such as medical or personal. As alternate to replacing with best fit candidate; risk of losing precious time may eventually results into business loss; in such times Virtual CFO services should be availed as entity's Interim CFO.

Interim CFO not only handles role of the CFO but also helps the stakeholder to handpick the best suitable candidate for the job. Virtual CFO services as Interim CFO, offers the best alternate solution during change of seniors in CFO office. Many a times, on one hand, entities need the best fit candidate to take charge immediately but on other hand, the candidate may not be in position to join immediately due to his ongoing service commitments or serving notice period as per his terms of engagement. Services as Interim CFO by Virtual CFO not only ensure smooth functioning of the accounts/finance department but also provide an opportunity to identify the gaps/improvement required in the account/finance departments and provide professional assistance for resolving such gaps.

Special Purpose/Assignment based Support Services for CFO

There may be times when the organisation is handling multiple projects at the same time. This can put immense pressure on existing CFO, who may find it increasingly difficult to do justice to all the projects. Instead of spreading your CFO too thin, get him/her some help from CFO Services Provider (CSP).

CSP steps in as a 'Special Purpose CFO' for a limited period, till the time the company requires its help. The CSP works in tandem with your existing senior management team and your full time CFO to expedite and execute these multiple projects with great efficiency.

Support Services for CFO function

In case of a corporate having its full time CFO but in turn, requires support to facilitate his office bearers to set up/manage specific functions, Virtual CFO services provide ample of services to provide optimum support to the CFO. Here, the CSP shall report to the CFO of the company and may not the board.

Virtual CFO Services- Why?

Why Virtual CFO and not full time CFOs

Do what you do the best, outsource the rest.

— Peter Drucker

More Independence:

Being a consultant and not an employee, helps in being more independent and straight to guide and navigate the management as per desired objective without being fearful.

All Skills and Experience is Covered:

CSP is a team of professionals. No single person can have all the required skills over time. With the help of a CSP, Organisation will benefit beyond the experience of a person only as a service.

Multiple Advantages of working with a team not an individual CFO. If a company is considering hiring a full time CFO; it makes use of the knowledge of a single professional person which in most cases is limited. However, a CSP comprises a team of experienced professionals, each one of them with his/her own expertise.

Continuity & Stability:

CSP being a professional firm can offer stability. CSP will help maintain the continuity of working with the trusted resources over the long term.

No Geographic Limitations:

Clients can engage a service outside the region; there are no geographical boundaries set for a CSP.

Superior Resource at Reasonable Cost:

Company to have financial management that is experienced, skilled, insightful, and able to see the big picture with multiple domain strength. That kind of talent is expensive. But companies do not need access to that kind of talent every day. Virtual CFO services means Organisation can have the quality talent resource at affordable cost.

The biggest challenge for start-ups and small and medium enterprises is to keep a tab on their fixed costs. Since full time experienced CFO is not available at low costs, hiring a CSP helps running business with budgets. Virtual CFO services offer value for money than hiring a full time CFO could.

Trust & Candour:

In Virtual CFO service; the role of CFO is played by professional who are focused on the need of the hour. Unlike the employee, he has no competing agenda, not guarded to his comment or need to be 'the yes man'. The CSP brings on board the third eye to have right perspective and views from trusted, credible & experienced professional team backed by their vast experience and diversity.

Flexible and Ease from Headache as Employer:

A major advantage of hiring A virtual CFO is that it offers flexibility. Today, most CSP permit their clients to set the number of hours depending on their requirements. This means the companies only pay for what they need.

Also, Virtual CFO services means less headache to hire a full-time employee. At times, CSP also offers services of very senior professionals who are not open for employment but can render best guidance/services to the client. A CSP also means no permanent commitment of employment. The relationship lasts only as long as it makes sense for organisation

Absence of Virtual CFO- Impact

The organisations which have no CFO on board or need to support CFO office, are vulnerable to the following risk, if they opt not to hire Virtual CFO at right stage and right time.

- Missed opportunities for business
- Lack of adequate control system, Unproductive and weak processes
- Faulty transition from existing system to new system.
- Waste resources, time, and effort.
- Loss of stakeholders, investor, and client confidence.
- Lack of critical resources at times of need.
- Exposure to unnecessary legal or tax risks.

Virtual CFO Services can be offered

Indian business environment has distinct features. MSME/Start-up go through multiple challenges, the majority of which are even unknown to them. While growing businesses with these challenges is an Entrepreneurial spirit but the same strength becomes a critical roadblock for its next level of growth.

That's the reason very few MSME graduate into Corporate.

Here is broad list of issues which affects majority of the Organisation in the Indian environment (with some exceptions)

- Promoter driven; without defined strategy or road map
- Highly dependent on 1-2 key person
- Inadequate risk management system and control
- Decision making done more on gut/ad-hoc (without analysis/evaluation/cost benefit)
- Unstructured; Organization are continuously in crisis management mode
- Lack of Optimum utilization of available resources
- Diversification at early stage leading to shortage of resources
- Over leveraged; too much dependent on Debt
- Sometimes, Prioritization against Organisation objectives
- Lack/low understanding on Accounts – Tax – Finances – Legal and commercial capability within the Organisation
- Supported by multiple consultants; but lacks advisor to the board

All these are key roadblock to SME growth; if the CSP don't enter at the right stage in an organisation along with openness of management to take right and tough calls to navigate the organization as per business plans and strategy.

MSME/Start-ups/Corporate

The CSP will bring under mentioned capabilities with him to deliver value for an MSME or a Start-up:

- Attracting the right talent of a CFO is very difficult for MSME (with 15-20 years of diversified experience and multi-dimensional capability). Further retaining such talent is even more difficult till organization matures
- Brings in credibility – trust and network much needed for organisation at this stage
- Management not only need a professional but a coach and guide to navigate to next level – playing a mentorship role
- Assurance of capability since continuous performance is the key to service.

- A right source to support in attracting/identifying talent in various domain and functions required for an organization
- If introduced at right time; amateurs will not become powerful creating roadblock for future/professionals
- Has the capability and network to identify and resolve any kind of Organisational issues
- Dynamic enough to influence Operational decision-making process
- Execution ownership with extensive hand holding - approach to deliver value

Key Results Areas (KRAs) of Virtual CFO service



Services during Business Life Cycle



Strategy Formulation

Normally entities do not have detailed strategy in place when they have begun the operations. They have a product line to build or an idea to develop. All these processes are fine at the initial stage but during the growth phase if strategy is not defined/documented, it can lead to multiple issues. Some of these strategies are defined in early growth stage and some during growth phase of business as the need arises, Virtual CFO support in:

- Identifying the SWOT of Entrepreneur/Business
- Defining Core and Non-Core area (what to do and what not to do)
- Defining next 3-5 years Business Plan
- Developing, defining, and implementing Matrix
- Planning and implementing future Organisation Structure
- Allocation of resources for next 3-5 years
- Creating an informal Board for all Strategic Decisions

Policies & Procedures

Implement critical policies and process in

- Fund management
- Procurement to Pay Process
- HR and manpower (leave – travel – authority/responsibility matrix)
- Order to Cash process
- Forex management
- Implementation of IF – RCM
- Identification and implementation of ERP
- Policies on IT controls and mechanism
- Key Trade Policy (CD/Dealer)
- Implementing critical SOPs

Finance & Accounts

- Monthly and periodic Profitability and Balance Sheet review
- Monitoring and controlling Cash flows
- Review of Operational MIS/Departmental MIS
- Conducting Inter Departmental MIS meeting – Guiding the team and building accountability
- Budgeting and Costing Implementation
- Efficient fund raising for various needs Working capital/term loans/project funding/non fund-based limits/structured funding/off Balance Sheet funding
- Banking & Institution management
- Inventory control and integration with accounts
- Improving the External Credit rating
- Evaluation of an Opportunity (JV – PE – strategic - long term contract – IPO – M&A transaction) and supporting the process
- Resolution of any legal – commercial - accounting – tax matter

- Engaging and defining the role of various consultants
- Implement Best practices for creating long term value for the Organisation
- Defining job profile and KRA of finance and accounts team
- Accounting as per Indian GAAP
- Timely compliances

Transaction Support

- IPO Support
- Merger/Acquisition/Restructuring Support
- Due Diligence support
- Migration of F & A Software
- Identification and Implementation of ERP
- Internal Audit
- Critical fund raising
- Emergency hand holding of any function or task
- Deal making/Valuation/Critical Agreements

Commercial/General Support

- Support in Improving Cash flow from Operations
- Participating and adding value in non-routine business decision/large business contract/commercial negotiation and structuring
- Negotiating any deal
- Support in improving the Decision-Making Process
- Review of critical candidates and supporting sourcing of key manpower
- Support in Planning and building second line for critical manpower across functions
- Business and Financial DD
- Take additional responsibility as per need (ERP – New Project/Expansion)
- Focus on profit/operations/cash flow improvement on defined metrics

Board Reporting/Group Reporting

We cannot stress enough the importance of systematic and efficient management reporting. These reports that are generated help the board take the right business decisions, helps boost business's performance and enables good governance not only that but it also helps improve investor confidence. CSP can help analyse and generate in-depth reports for business.

Board/Group reporting is an attempt to update the financial reporting process.

Bankers/Financial Institutions

Bankers/Financial Institutions or investors can avail the services of the CSP for evaluation of their finance debtors and at the time of obtaining control over operations of the defaulting clients. The CSP can take over the finance function of the defaulting entity at the time of obtaining control of the entity. The CSP can also assist in realising tangible/intangible assets and manage liabilities.

Venture Capital Funds/PE Investors

No investors would want their investment to go bad. Hence, the private equity investors or venture capitalists hire these services to run the business-like professionals and in a structured way -- with proper financial reporting, discipline, and corporate governance. They outsource these services for them to play the role of finance controller.

CSP works in full tandem with Promoters and HOD's as friend Philosopher & Guide.

Exit Strategy

After Organisations have built an excellent business. Now how do they exit, encashing all the hard work they have put in, at the right time?

Planning & strategizing for exit is equally important as starting an Organisation. The goal is to maximize the value of Organisation before converting it into cash, and to close the exit transaction as quickly & smoothly as possible.

While there are different exit strategies that entrepreneurs adopt, identifying what is best for Organisation and executing it seamlessly is important. All exit opportunities require the Organisation to go through a detailed due diligence process, undertake several rounds of smart negotiation on valuation & pay out terms and finally ensuring that in the process Organisation & clients do not leave each other.

The CSP steps in and assists companies as strategic partners at every stage in decision making, as well as in executing various requirements. The CSP also assists companies in identifying the right accountant, lawyer, investment banker and any other deal advisor required to successfully close the transaction, at the earliest, with least transaction cost.

M & A Support & Consulting

Whether organisations are considering the launch of a new product, expanding operations, evaluating an exit strategy or acquiring another business to help achieve Organisation growth objectives, the CSP is the source for expert assistance in preparing for the transaction or evaluating possible options.

The CSP's team will provide insights and guidance instrumental to the organization so that organisations have the support they need to successfully navigate a transition.

The CSP (support M&A team) evaluates their options for growth or sets the stage for a successful exit. When working with a corporate finance consultant from the CSP, Organisation will receive the assistance before, during and after the transaction to increase value and mitigate risks.

Independent Directors/Insolvency Professionals Agencies (IPAs)

A CSP can be a great support to an Independent Director especially the one who is not having a finance background.

A CSP can offer the following services to IPAs

- Prepare/Rearrange the financial data of Organisation as per Law
- Prepare and Validate Solvency plan
- Execution support of solvency plan
- Periodic reporting to IPAs/KNELT

The various laws require reinstatement of financials or classification of financials asset/liabilities in a way. For e.g.

- Indian Bankruptcy Code (IBC) requires classifying the sundry creditors as per waterfall method for setting up payment priority tracker.
- Recent modification under IBC code needs professional advice for Organisation to decide the default in payment occurred on or before a specific date

Why CAs are best fit for Virtual CFO role



Why CAs are best fit for Virtual CFO role

The chief financial officer (CFO) is increasingly being viewed as a business leader rather than a functional head. The CFO's role has evolved beyond bookkeeping to a holistic business and governance accountability, ensuring that the organisation is on track to achieving its short-and long-term goals.

Beyond financial analysis and stewardship, a CFO is constantly faced with growing responsibilities and an evolving mandate, coercing him to move from behind the scenes to the front. His role includes setting operational and commercial strategy, navigating the company safely through tighter credit markets, looking at capital allocation, debating with the CEO, dealing with external stakeholders and, at times, fronting shareholders' meetings.

Even in cases where a CFO does not hold board positions, he is increasingly called upon to provide expert advice to support boardroom decisions.

While this is more apparent in Medium Size Listed companies, it is also percolating to the mid-cap as well as unlisted organisations, where a CFO is required to be a sparring partner.

This shift provides senior Chartered Accountants opportunity to develop as the potential CFO — the pinnacle of many financial executives' careers

However, such financial executives need to garner skills that enable them to deal with a dynamic regulatory environment, whilst fostering continued business growth.

During any of these, a qualified professional, who may not be open to be engaged for 'Contract of service', can very conveniently assign for 'Contract for services' as professional to render Virtual CFO services.

Along with domain expertise as Supreme profession in field of Accounts and Finance, **the Virtual chief financial Service Provider (CSP) should be expert at:**

- Being an effective organizational leader
- Effective allocation of the existing resources
- Ensuring best co-ordination of finance department with other department
- Managing the responsibilities of stewardship with stakeholders.
- Acting as integrator and navigator for the organization.

A Chartered Accountant (CA) with following skills can be considered as preferred option to render services as the Virtual chief financial Service Provider (CSP).

- Financial Foresight

- Accounting & Financial Expertise
- Has ability to understand Business
- Result Oriented Nature: resolve issues and implement solutions
- Self-driven & Proactive
- Experience of Multiple ERPs or equivalent IT platforms
- Confidence, Vision & Foresight
- Excellent Communication & People Skills
- Leadership Skills
- Strong network of experts across the board

To effectively Delivery services as the CSP, the CAs must consider that

- This is not a compliance or audit function but a business function (Execution)
- Not only gap/issue finding but finding solutions, implementing solutions and resolving matter
- Proficiency to work on multiple ERPs and good understanding of financial software can be of immense help
- Continuous knowledge update and upgrade is very crucial
- Leadership Role is must have characteristic of the CSP
- Strong interpersonal and people skills can be a great tool
- Communication strength both oral and written is the essence of Virtual CFO services
- Crisis management capability are very important feature of this services
- Ability to understand business and all major functional are key requirements for most of the assignments
- Awareness about Economy and capital markets developments will also be helpful
- Networking with experts/across the board; and ability to take their support as and when required is soft skill which can also be developed along with Virtual CFO practise Development
- Ownership driven mind set is must
- Self-driven – Proactive and less reactive approach is generally much acclaimed by the clients

Methodology of providing Virtual CFO services



Methodology

For everything we don't like to do, there is someone out who's really good at it, wants to do it and will enjoy it.

— Josh Kaufman

Management is doing things right; leadership is doing right things.

— Peter Drucker

This section elaborates on “How” part of CFO services and will answer:

- What are basic execution processes of CFO services?
- Fundamentals (Prerequisites) to methodologies
- Organisation structure of CFO Services Provider (CSP) firm
- Executions in different segments/sectors
- How can a CA in practice or industry (Job) can start and grow this practise?
- International executions

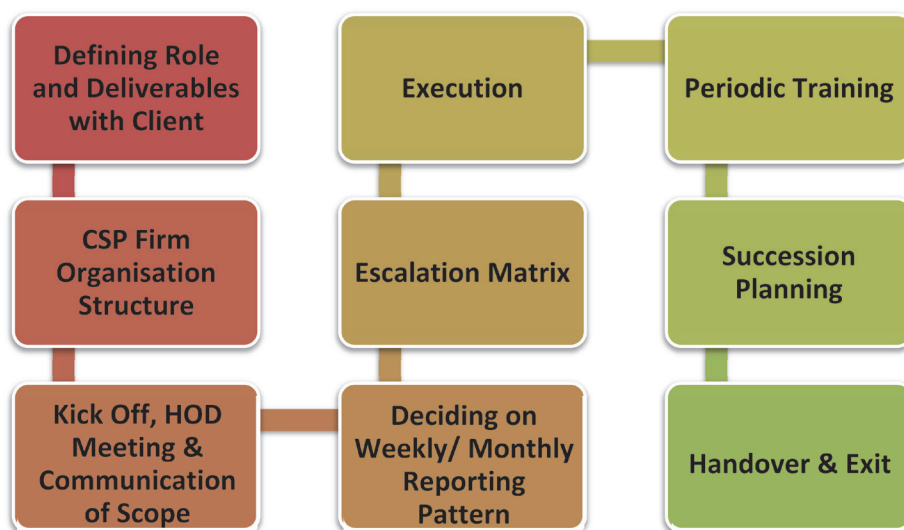


Figure 1 Basic execution process

Defining Role

Defining a role for a particular engagement under due discussion with management is critical for drawing detailed execution methodologies, resource allocation and reporting patterns. Following are a few basic parameters related with nature of engagement with CSP/Virtual CFO.

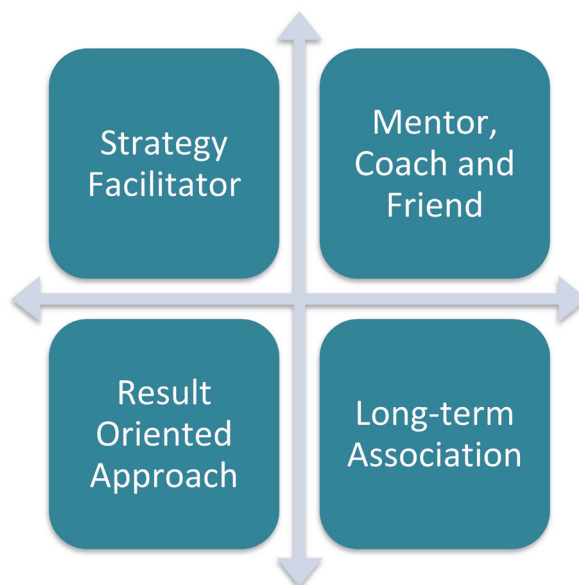


Figure 2 Nature of engagement

Strategy Facilitator

Both CFO positions and services are strategic in nature although maintaining controlled routines of the business is one of the first strategic aspects, through People/Process & Strategies.

For example, The CSP can help in setting business goals and objectives & creating strategies to achieve them. It also

- 1) Helps in tracking Organisation's business performance and while undertaking regular reviews, take corrective actions if required, mostly known as budgeting function. In majority cases, the mature budgeting process is non-existent. One can visualise the kind effect, which can be created.
- 2) Helps in optimum resource allocations - be it funding, manpower, or technology. Creating policies and processes around it to fetch structural strength.
- 3) Helps in Fund Raising
 - a. Framing Strategies
 - b. Executing Fund Raising Strategies
 - c. Recurring Compliances Management

Other Strategic inputs are to benchmark existing Business plans and helping organisations to discover achievable new business plans.

It all begins with a brainstorming session with the promoters and organisation's senior management team. Thereafter, a detailed research process will be carried out about companies, products/services, industry leaders and competition to build the foundation of the business plan. The plan is supplemented with detailed financials, including sensitivity scenarios and ratio analysis. CSP also designs a version of the financial model for Organisation to track on a regular basis, as per organisation's working budget file.

Building diversification/expansion strategies for the group can be another strategic execution. In most of the cases, there are many things in the minds of promoters and HOD's but solidarity of CSP (as he/she is experienced senior professional from the same domain working with many such companies) gives strength and helps crystallisation of action plans. CSP reviews suggest changes and update on such propositions appropriately. CSP could even strengthen it with a detailed financial forecast model.

VIRTUAL CFO SERVICE is the best option for any given situation, whether new lines of business are being considered or expansion is being planned. In most of the cases, existing bandwidth is already utilised, and domain knowledge of new business becomes critical inputs for such diversification planning. VIRTUAL CFO SERVICE becomes better options.

Mentor, Coach and Friend

Generally, in any organisation CFO's are chief facilitating officers only. CSP's position is of Coach to captains (HOD's) and Promoter, even though deliverables are there. Virtual CFO as a Coach ensures that a capable and motivated team is there and working in tandem for organisational goals. CSP coaches them well and always there but is never a captain. This must be properly understood by all in the team. As a goal post for such VIRTUAL CFO SERVICE may keep changing. That's why having 5-6 deliverables for a quarter is a better method of working.

It is very critical for CSP and his team to be culturally fit with the client organisation. 'Execution' is the most essential element of this service which is much more advanced than advisory services. For the optimum output, stepping into shoes of the client culture is very important for CSP and his team.

Result Oriented Approach

VIRTUAL CFO SERVICE is not there to retain its position but to deliver on specific deliverables within a specified time. Manpower planning for such specified objectives along with clear progression plans is the key. Restructuring plans, financing, MIS/SOP, ERP implementation, etc. are time bound executions. Weekly updates to team and monthly review discussions are tools to gather more support. But at the

end, only results are to be counted. Efforts counting becomes excuses if results are not achieved. In certain circumstances, sometime over run may be possible but there should be absolute clarity about results. It becomes binary to that extent. And this is not different from anything any professional does in practice.

Return on investment in CSP not only in terms of professional fees but also time is critical for reporting and even engaging initially. This separates many other engagements with senior consultants, mostly on the compliance side. Engagement is strategic in nature and has a vision to bring great changes to the organisation without disturbing basic fabric structure of organisation. Measurability of contributions and its concurrent reporting structure is integral part of the engagement.

Project Specific Association/Long-term Advantage to the client

Even though first Association could be in terms of very specific deliverables and that too from short term Association perspective but the kind of capability VIRTUAL CFO SERVICE brings to the organization, the idea is to be with the organization on all strategic levels for a long-term purpose. Most of the time Virtual CFO Service provider has this intention to be on the Advisory Board of the organization and keep on coaching, monitoring, advising the organisation team for greater growth and sustainable business model of the organization. In case of association with SME where most of the professional fee is linked with success, CSP may be giving a vision of 3X to 5X growth to the organisation and proposes to achieve it in solidarity, equity proposition as professional fees is most likely. Idea is to be one of the critical resources with the company for such targeted growth in turnover, profit and valuation. SME listing, PE investment, etc. are events when VIRTUAL CFO SERVICE equity in the organisation gets crystallised.

The idea is to be with origination on a long-term basis building business on sustainable basis. Although specific deliverables within specified times are still the rule of the game.

Fundamentals for effective Virtual CFO services



Fundamentals

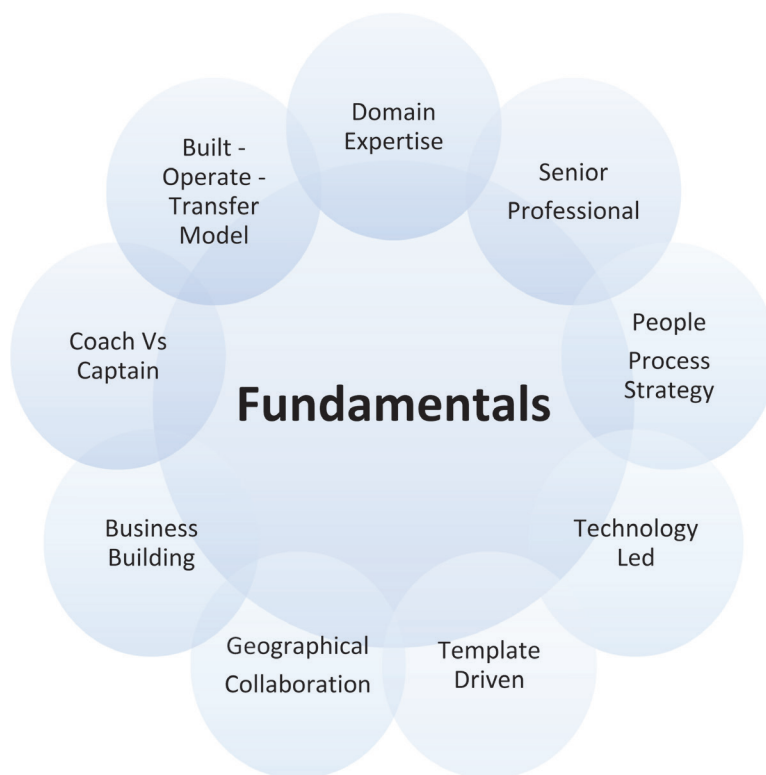


Figure 3 Fundamentals of VIRTUAL CFO SERVICE

Domain Specific Expertise

Domain specific expertise is a key to CFO Service. It may be both functional domain expertise and industry domain expertise. The leader and manager should be coming from the domain and should be speaking the same language which the Head of Department's (HOD) and promoters are speaking. It is essential for initial pitch as well as detailed execution of the assignment. A senior CFO level experience from a specific domain is what attracts a team and promoter for having him/her on board. Thus a 12 to 15 years' experience on the part of CSP leader becomes the essentials for CFO Service. Brand name, Track records, mature process may help as supplements, but every client wishes to engage with someone who is known in the industry has already been exposed to a volume of transactions.

Senior Industry Professionals Team Building Is Key to Growth for VIRTUAL CFO SERVICE

This becomes a key growth driver. A VIRTUAL CFO SERVICE firm capable of engaging senior industry professionals with it, will have better chances to grow. Engaging/

Associating senior professionals coming from good brands is not an easy task because they have better opportunities in terms of earning with corporates. Something very exciting should be on the table to attract such senior industry professionals as CSP firms may not be able to hire them at comparable cost. In most VIRTUAL CFO SERVICE assignments, such industry professionals are offered performance linked incentives which are substantial part of his earnings. They become stakeholder in client specific engagements. One engagement of such a senior professional with a CSP firm can lead to another because of precedence.

Detailed and sophisticated processes are required for engaging with such senior industry professionals as most of the time such professionals may not like rigorous reporting processes. The key thing is that they must be enjoying the assignment. Clarity on Business Development (BD) activities and processes should be separated from only execution-oriented assignments. Many of CSP firms try to carve out these two parts in a clear manner. BD process for a VIRTUAL CFO SERVICE leader is delinked with execution assignment to avoid future competition. However, there is a CFO services platform evolving which allows senior industry professionals to build their own vertical, to bring clients and get them executed according to laid down processes. This gives scalability to the idea. On an average, per client targeted revenue for the year ranges from Rs.50 Lakhs to Rs.1 Crore. Having equity in a client's business is an added attraction.

People, Process, Strategy are Fundamental for Execution Strategy

People, process and strategy are fundamental things for any strategic execution, while as "People" are mostly 90% of everything. Manpower Planning (MP) according to the business vision/plan is first and foremost and then having it at its best of productivity is another key thing. MP in Finance & Account (F&A) function is one of the most deserving aspects to deal with. One's recruitment at a key position can change the whole game around productivity of the department. Other processes around people management are then to be worked upon in other departments as well depending upon scope of work with the organisation. Engaging with the HR team is one of the first imperatives. Understanding basics of Delegation of Authority, Unity of Command, Job Description clarity at every level, Reporting Formats and Patterns, Training and Incentive process, Organisation Development, Performance Assessment mechanism at every level etc. are to be analysed for improvements.

Processes are the next big thing to deal with. MIS/SOP at every level to be analysed to make it more effective, starting with the F & A Department. Utilisation of software /ERP systems is the next important thing to establish for long term sustainability. Initiatives are to be taken for shifting people centric organisation to process driven. Processing yields results should be the mantra. Benchmarking processes against the best of industry is one of the tools of improvisation.

Strategies are different from regular plans and aim at beating competition. Processes should be built to incentivise, innovations and tech adoptions at all levels. Monthly discussion process, across all levels of organisation, on strategy aspects should be discovered and monitored. Coordination amongst HOD's and promoters becomes a unique area of contribution for VIRTUAL CFO SERVICE. Industry domain knowledge works very well.

Technology Led

There are huge expectation gaps when it comes to technology, everywhere. On the one hand VIRTUAL CFO SERVICE needs to put all its execution, technology led and must ensure that technology finds a Centre Stage of overall business of the client. Even if CSP is not a software expert technically but he needs to be updated of all new technology updations relevant for the business. We are living in a scenario where:

- Utilisation of basic accounting software like Tally.ERP9 is still to be achieved, mostly because lack of proper training and motivation level in accounting team
- We have multiple software in the organisation being used in different department for their different usage, still to be integrated with accounting system
- ERP software is partially implemented for few of modules and reports are still to be automated
- Data integrity fetched by this multiple software is still an issue
- A lot of organisation efforts are put every month across department for reconciliation of data
- History of failed software implementation is hounding everyone in the organisation
- Software literacy on overall organisation level, particularly at management level is very low

CSP may be required to guide organisation on

- Which software to used and which to forgo taking everybody in the organisation in confidence
- Implement ERP and integrate multiple other software
- Integration of software with accounting system
- Benchmarking & Business Intelligence (BI)
- How AI/Block chain/Robotics are going to disrupt the way industry operates and how organisation should be adjusting to it

To be able to guide organisations, CSP needs to update on tech aspects in every aspect of the client domain along with functional domain. Even MS planner type fee software utilisation can bring magnificent changes to organisation. To be able to do this, Virtual CFO should have a strong learning process at their end.

Apart from above, CSP organisation needs to be working through tech led processes. Resource allocations, day/week planning, daily updating, weekly reporting, and monthly meeting require a simple but robust tech/template driven process. Technology should be used to make data available in such a way that it could pop up opportunities for other teams. Regular meetings can be planned amongst different leaders on assignments to discover cross pitching opportunities.

Template/Formats Driven Execution Approach:

One cannot scale up and delegate properly if mature template driven execution is not there. Most of the inputs gathering should be done on standard template basis. It starts with data gathering at the time of assessment of clients before such VIRTUAL CFO SERVICE engagements. Most of the requirements like Client corporate profile, internet profile (URL), Last year balance sheet, Current year projections, Group structure, Group Finance profile, Enterprise Data are required at first place to start engagement.

These templates are equally important when it comes to internal communication within CSP firms.

Collaboration Across Geographies

We are living in a virtual world, where what does not exist in the virtual world, does not actually exist. The same is true for any CSP firm also. In many of the situations when you are connected with the world across geographies, which provides for chances of having clients in diversified geographies, not only within the country but also across the globe. It gives birth to the necessities of having collaboration with senior professionals across geographies having experience in functional as well as industry domains. Networking, Association, Processes are required to uphold the whole system for execution across geography. Added advantage is that you can always leverage on many capabilities across geographies (clients, capital, demand, people, etc.). Foreign currency billing becomes an absolute attraction for an Indian VIRTUAL CFO SERVICE. 60+ countries in Africa continent and south-east Asian countries are obvious opportunities apart from USA, EUROPE and GULF countries.

Network of professionals (app based), Collaboration with other countries local firms, Reverse collaborations are different models of collaboration across geographies.

Business Building Approach

One of the cores on which CFO service practice is developed, aims at supporting promoters and HOD's for building sustainable businesses and being with them for executions. Every action/result is measured in terms of its impact on sales, cost, profit, and valuation of the businesses. This approach brings magnificent changes to businesses where businesses are delinked from building balance sheets and provides mind space to both promoters and HOD's for growth and innovations.

Senior experienced person from the same industry domain brings a lot of experiences to the organisation's team in the form of DO's and Don'ts and saves a lot of organisation time to be deployed in decision making processes and executions. For example, any organisations wanting to decide on ERP suitable for organisation and its people culture. A mature VIRTUAL CFO SERVICE support in this decision will save a lot of total organisation time/efforts and cost. The same holds true for an organisation's decision about going public. A person with iterated experience and a lot of learning's from previous failure is a precious resource in the form of CSP. Here lies opportunity on the part of VIRTUAL CFO, of participating in mutual wealth creation in the form of sweat equity.

Coach v/s Captain

A VIRTUAL CFO is inherently a coach working with the team and ensuring performance through them. He should not be misunderstood as captain and CSP should make all its efforts to put this perspective to the overall team. HOD's are captains. He works through Captain and works as a proxy to the captain. Although he is responsible for agreed deliverables but most of the time the same shall be achieved through existing team only. In very few cases, situations may be different where CSP is appointed to perform a specialised job and lead organisation team within a limited time frame corporate restructuring. Most of the time, he performs orchestra and ensures symphony of music coming out of different instruments.

Build, Operate, Improve and Transfer Model

VIRTUAL CFO's engagement is to work as an extended team to organisation and lead on strategic assignments of strategic importance. As a basic essence of engagement is to initiate things through additional resources and then incorporate the same in the regular working culture of the organisation, gradually to be done only by the organisation internal team and CSP might be engaging in other assignments of more strategic importance. For example: Feeding initial data by the CSP team in a recently introduced module of ERP, processing it through the whole flow of it, reconciling it and then letting the automated reports come out of it. There after training about these processes of the internal team of organisation, hand holding it for some time and then handing over the responsibility of execution to internal team leader.

Types of Engagement



Types of Engagement:



Onsite

This is a scenario where Virtual CFO Service Provider is planning to visit client office/branch office, etc. on a regular basis for different workings. In any assignment, this is more required during the initial phase of engagements. Gradually most of the things are doable from VIRTUAL CFO Service's own office. Of course, weekly meeting routines with client teams yield better results. A separate working space is ensured for the CSP team. Project/factory/warehouse visits are done along with the client's team to gain better understanding. Generally, trainees are regularly deployed at client office and managers are frequent in going to such client office. A CSP leader's weekly or twice a week visit is planned in such a scenario. In case of distant geography, 3 days monthly visit is planned to sum up on reporting and coordination. Initially it's twice a month 3-4 day visit to the client office.

Offsite

After initial detailed engagement with the client team, many of the executions are routine works that are possible from off location either from CSP's own office or from other client location, managers are shared across client engagements.

Other than above, in this virtual world where most accounts/finance executions are possible, there can be scenarios where everything is possible off site, mostly for compliance and procedural assignments. Although greater maturity at every level is required for off site working, reporting and coordination process should be transparent at every level.

Hybrid

In our view almost all such VIRTUAL CFO SERVICE engagements are hybrid of both above methods with different degrees and levels. Initially every assignment requires gross engagements and gradually it starts giving way to offsite working. Important point is clear communication of these on sites/off site execution processes to all team members of clients including HOD's and promoters. Weekly reporting in person gives a lot of comfort else weekly conference/video calls are an option.

Categories of VIRTUAL CFO/CSP

Lending a CFO (who shall be working as Interim CFO for a short period of time)

Organisation may request CSP firm to help company appointing regular CFO or seeking it from CSP firm itself. CSP firm will be billing for such accommodation of CFO lending to organisations. Such CFO shall be working as CFO on contract basis. He shall be abiding normal office routine and shall be responsible for day today working of the organisation. A monthly charge will be fixed for such providence. Generally, this is for the short term and can also be renewable.

Supporting Permanent CFO on SOS Basis

Every permanent CFO, when working on 3 key priorities of the organisation, has 10 other such important things, still to be initiated and executed and best part is only he knows it that these 10 things are equally critical. And these 10 assignments are long due now. The question is "bandwidth". Both problems and opportunities may make current bandwidth of a CFO redundant and flexibility is required to deal with it. In such scenario, some part of it, he manages through outsourcing it to some experts (consultants) but it becomes bit costly affair and still such permanent CFO has always wanting shadow support system in the form of VIRTUAL CFO SERVICE where leaders come from the same background and speaks the same language. Cost of engagement is any time much lower comfort is anytime higher. Mostly fee commitment is on the success. Gradually such shadow association will be the norm.

Executions Support to Other Sectors (Other Than Corporates)

CFO services are even more relevant to other sectors (Social, Religious, Non-profit, Government). Mostly because there is a huge dearth of such senior talent in the segments. We all might have experienced CEO/CFO like positions in some big non-profit organisations and even religious organisations. Organisations in these sectors are trying to corporatize their workings to have optimum efficiency/transparency and Accountability. Cost Centres/Profit Centres are being identified for budgeting purposes and accountability of growth and progressions. The Government and Semi Government Sector has always been utilising finance professionals for auditing/certification & other consulting. Most Government sector organisations have been victim of financial mismanagement and CSP kind engagements can be of a lot of values. Domain expertise of senior VIRTUAL CFO and concurrent support can be game changer for Indian bureaucracy. Cluster based approach, where same domain professional clusters are created to cater for all strategic inputs and executions. For example - Debt laden government departments can be utilising these kinds of professional clusters to their advantages and can execute more than one project simultaneously, benchmarking in technology adoption/fundraising and strategic tie ups.

Working as Professional Director/Resolution Professionals

Because of extensive domain experience as senior management of corporates, VIRTUAL CFO Services are best suited to Professional Director Roles and the same holds good for Resolution professionals. Of course, this VIRTUAL CFO is to acquire relevant certifications, but these are natural roles to anyone who has been at CFO/senior position in corporates and currently working as VIRTUAL CFO. He has been working on the other side of the corporate for long and has been dealing with different risks and uncertainties. Apart from the procedural part of the engagement, such domain experience can have a lot of values to all stakeholders. VIRTUAL CFO management capabilities of financial matters and negotiation skills can be of great value add to all.

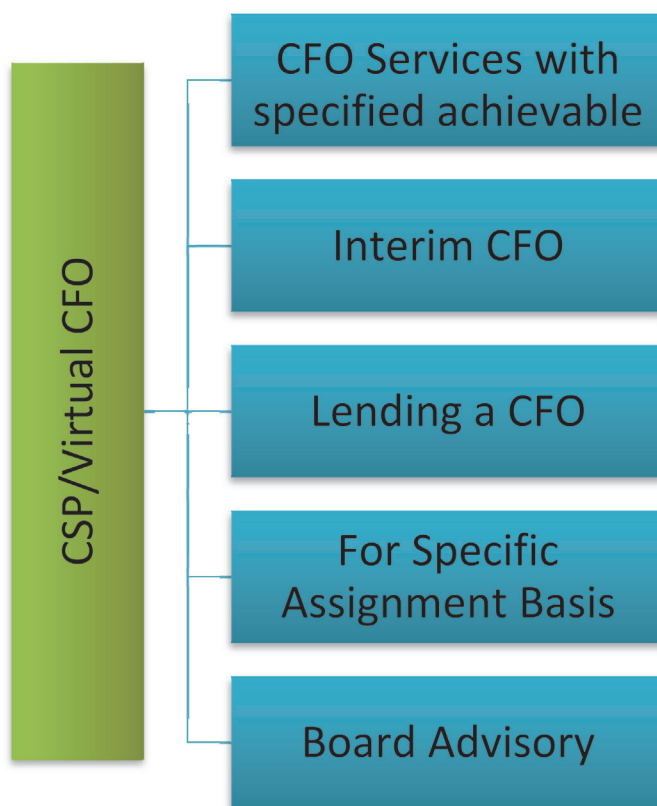


Figure 4 Basic category of engagement with clients

All categories mentioned above are self-explanatory except board advisory, where the client needs such experienced VIRTUAL CFO to engage through monthly/periodic review meetings only and seek advisory for growth of the organization. Detailed executions may not be required. Even this kind of arrangement can bring different industry connections to firms including lender/investor association.

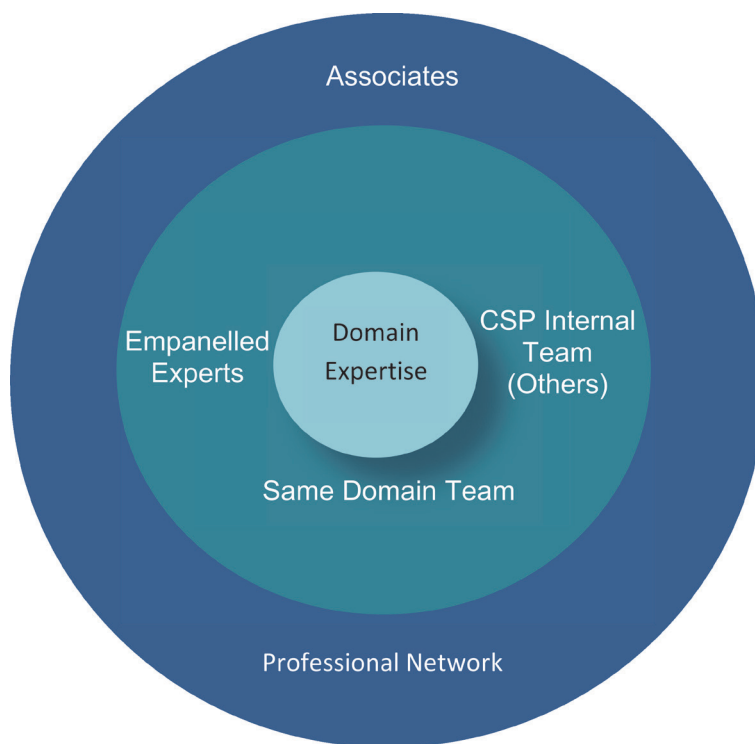


Figure 5 Virtual CFO Eco System

Above is normal eco system vis a vis resources for CFO services

Diversified geographies of executions including one client having multiple business locations, diversified business segments and diversified functional expertise requires the above ecosystem. This is imperative for success in CFO services. Playing in a larger team is one the most sought-after skills in this game. All other fundamentals of executions remain intact.

Execution by Virtual CFO Firm



Virtual CFO Firm Organisation Structure

The Virtual CFO team Organisation structure is very dynamic and very much depends upon the mix of onsite/offsite/hybrid services offered to the client.

For a CSP - engaged full time for Virtual CFO services or having dedicated Virtual CFO service division. Talented Management Trainees are one of the key aspects of resource planning.

Following is organisation structure which is self-explanatory in nature.

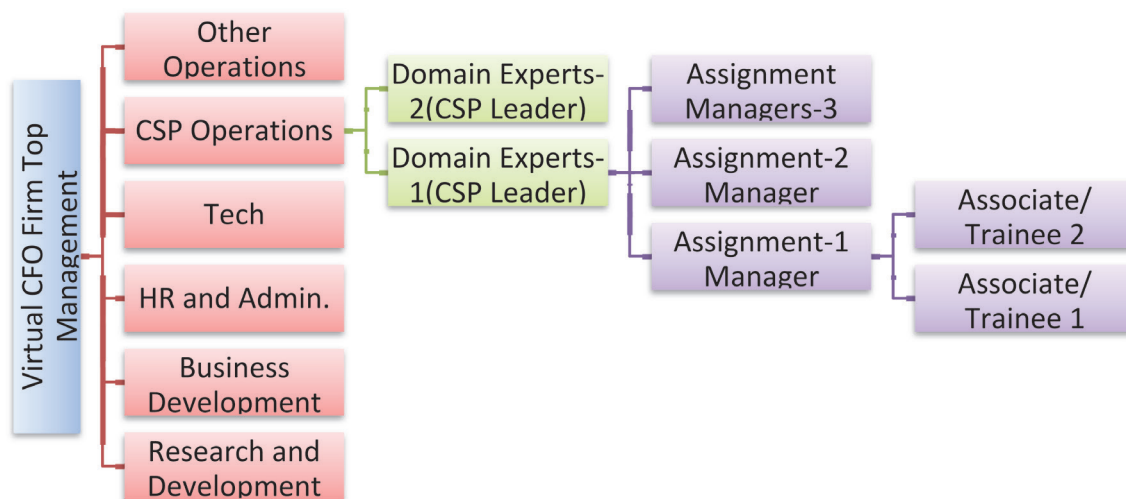


Figure 6 Model Organogram of Virtual CFO Service Providers Office

Basics to Initiation

Profiling

Initial profiling of the customer will be required for screening it. Their corporate profile, size, intentions, market credentials, reference along with group enterprise data is the first of few documents required before and after first meeting with the client. An interaction with key management personnel gives insights about the client. Generally, SOP's are structured for all these elementary analysis about clients before taking up the assignment. Such information is captured in a way to retrieve it for future reference as well on a perpetual basis.

VIRTUAL CFO leader ensures that clients understand capability of CSP firm along with its credentials even though initial engagement may be narrow.

Scope & Fee

In many cases, clients need a lot of support for crystallising scope and fee for preliminary engagements. On the one hand, he is anxious about so many pending plans and on the other he is yet to taste/experience such CFO services. Leadership rapport with clients plays a key role and initial engagement starts with few deliverables. It gets broad based in due course against progressions on initial engagements.

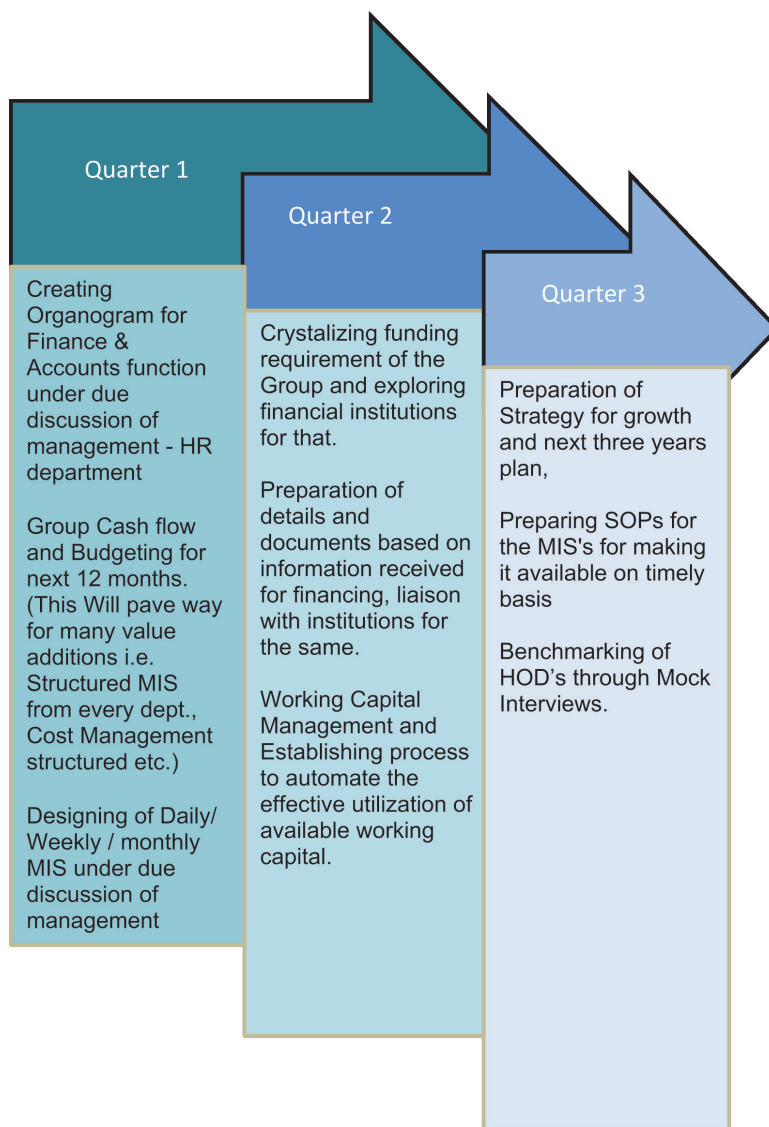
Financing is one of the key achievements of scope in most of the cases. CSP should be making its efforts to make client organisation management understand that CSP is not a finance consultant. CSP is supposed to act as facilitator coordinating with all company's existing lenders/consultants along with its own capabilities of direct financing. Ultimately, he is to ensure that the best financing transaction is done, at best terms possible. His professional fee may be linked with success of financing, for all such internal documentation/co-ordination yet he should not be seen in parallel to finance consultants. He is anytime an extended team, internal to organisation, coordinating with outside finance consultants.

The perspective is long term association. A mix of retainerhip fee and success fee is generally the case, mostly keeping in view affordability of the client. Other scope may be MIS/SOP working, ERP implementation, MP etc.

Execution Periodicity

Unless it is very specific, generally quarterly deliverables are envisaged with at least a year's association prospects. Although it is never balling to ball commentary to management, weekly updates are built in along with monthly reviews. On initial engagement, it takes some time to communicate with the internal team for CSP roles /responsibilities and kind of support required. Meeting and having informal rapports with HOD's are critical to performance and it also takes some time. Generally, 3 months' time is required to get CSP settled within organisation culture.

There are few assignments which may take much longer time i.e., corporate restructuring, manpower planning/recruitment and organisation development, SME listing etc.



Managing the Assignment

Based upon way of services, CFO services can be provided by:

Through Firms/Ownership Structure (Proprietor, Partnership Firms, LLP, Corporate entity): One leader having it's vertical/division to cater to different industry clients, normally led by experienced Ex CFO capabilities coming from that particular industry segment.

Collaborative Structure (Through MOU association, Tech Platform or any other form of collaboration/association basis: This is a very interesting upcoming model of CFO

services and has potential to establish practice beyond geographical and technical knowledge experience boundaries. Network and then Network of Networks are evolving, supported by technologies.

General Execution

HOD Meeting & Clear Communication of Scope and Methodology

Planning with Management and HOD's:

The qualified professional inspires and motivates high-performing finance teams, leading change, shaping and embodying a dynamic culture, and setting out a compelling vision that helps to navigate change.

- As the very first step CSP will organize a key members team meeting with HOD and promoters to create a work plan with best consensus among everyone
- As a part of Board Advisory, CSP will be working with HODs as a team and support system, not as a forced position. Its effort will always be to try to minimize the Agency Cost and to work in favour of the company.
- Organise meetings as and when required with all key members of the team to communicate the expectation of the HOD and promoters. With consideration of all suggestions try to create a roadmap to achieve that expectation.
- Once the roadmap is as per the expectation and good to move forward, CSP will discuss the same under HODs Assessment with the promoters
- After finalizing plan, a detailed study of processes and existing MIS will be done to acquire knowledge of business
- All Software will be evaluated & Benchmarking will be done for all existing software so CSP can guide for implementation/integration of software
- Advising on few stuck-up decisions i.e. corporate restructuring, financing, tapping capital market, valuation of assets, business and brand etc.
- Study will be done which types of excel reports being drawn by different department and being shared with HOD so CSP can analyse data flows of Organization
- Understanding corporate structures and investor relationship

Planning with Finance Department

In case the CSP offers services to the CFO for its effective functioning of the role, it's very important to align with the existing finance department for best results. The planning also includes

- Planning of key deliverables under assignment

- Training of F&A team
- Redefining roles and responsibility of the finance team
- Authority matrix review and revision, if required

Setup Execution

CSP is serving as a member of the executive team and performing accounting and financial operations tactically and consistently to move forward with a clear financial strategy in the future. He also put his effort to:



Accounts, Tax & Compliances

Benchmarking current accounting software/accounting & reporting process in the department:

In many cases communication structures of the Accounts Department are not well structured and as are not followed. CSP makes huge contributions in terms of

structuring the reporting process across the Department and then implementing once for the sake of the total team to follow it, other than this it benchmarks current accounting software capability and accounting system because of his vast experience with other entities in the same domain using different accounting software's and practices.

- Accounting reforms
- Reforming COA to suit budgeting heads and MIS is one of the most valuable contributions
- MIS Driven compliance Reporting
- Turning Accounts from Payment Department to Control function

Finance

The whole Finance process of the business from very start to end is evolving with the only objective to maximise the value of the organization. CSP as a mentor or coach will try to achieve that objective by:

- Creating a MIS format in the finance Department is the first thing or value addition to the organization. In most of the cases, a loan statement in a structured manner is not present. When all relevant data are incorporated in a structured format its better understanding of current leveraging, gives insight for the opportunity of refinancing and strategic inputs for the next finance transaction.
- Deciding on leveraging levels based on current and budgeted level of activities or the best finance mix (different nature of debts and equity) of funding are other value addition points. It all can be used to fund the investments and then working for lowest possible cost of funds. Laying down the monthly process of review, will work as great value addition.
- Developing investment and asset allocation policies for balanced & sustainable growth. Those policies would be long-term as well as short-term. There can be a quarterly review process to match actuals with laid down policies.
- Budgeting cash flow on weekly, monthly, quarterly and yearly basis to answer:
 - o Related to periodic cash flows gaps
 - o Planning for filling in the gaps
 - o Streamlining short term surpluses and long-term gaps
 - o Allocation of long-term surpluses

Actually, there are many factors to be considered at cash flow statement levels for example reforming charts of accounts using best of the best utilities of current accounting system software, ensuring daily/weekly/monthly closing process of accounting etc.

Manpower Planning and Deciding on Organogram of Finance & Accounts Department

Generally, this is the area where a lot of improvements are required because promoters are not equipped to hire and retain talent in the F & A department. We professionals have vast experience of recruiting, retaining and developing resources in the account and finance department which works very well for the company and the promoter.

Total finance and account department are to be segmented in functions like Accounts, Billing, Payment, Banking, Tax, Secretarial, Finance and Audit. Further to it, in many cases promoters need advice as to what services need to be retained internally and what services need to be outsourced, to be done by external consultants.

Ensuring best out of outsourced consultants depends as to whether we have a competent internal team or not. Having CSP also helps in presenting companies before to the outside world like Bankers, Tax Authorities in a better banner.

Crystallising on the organogram of finance and account department is the first step to crystallise on resource requirement, their competency, experience, reporting pattern and ultimately becomes fundamental to organization development. Overall structure of the people process is created on this basic exercise. Golden rules of manpower planning like pre-hiring, building capacity first, etc. paves way for better organizational strength.

Other than extensive support in recruitment CSP also helps in deciding performance matrix indices for all team members in the finance and account department and thereafter monthly and quarterly appraisal systems. Drafting policies around incentive and training systems within the Department is only possible because of CSP's vast experience.

Preparation of MIS/SOP's with all the financial information and impact of those financials on our process efficiency so we can enhance productivity and make it system driven.

Implementation of ERP system for improved collaboration and better analytics with simplified compliance and risk management system.

Bringing strategic investor/transaction to group as per discussion with HOD. Strategic Partnerships give your business access to additional expertise and resources with a competitive edge it needs to surpass its competitors.

Risk & Governance

Timely compliances save business from penalties and interests this is an area where unnecessary cash outflow happens. CSP's approach will be to minimise this cash outflow by following steps:

- Compliances will be MIS driven so it will be much more effective to be proactive and take advantage of the opportunity to not only revamp systems and processes to meet new standards, but also to improve performance and visibility.
- Training & incentive systems to be built for making it self-driven and staff will be prepared when a new regulation or change to an existing regulation is announced.
- Business friendly/customer friendly approach

Commercial Excellence

In today's complex business environment, it's very important to become more competitive with the current domain. CSP will help to develop and implement various tools and processes to achieve the highest level of commercial excellence in the process.

At base level the process of commercial excellence will be:

- Projects will be cash flow driven. On a timely basis CSP will be evaluating progress of the project by creating periodical cash flows of the project.
- MIS driven organisation to avoid ad hoc decision. CSP's effort will be to develop the MIS framework in such a manner so CSP can achieve maximum output with available resources.
- Cost Control Mechanism in place with the goal of value proposition, competitive advantage and sustaining profitable growth, targeting 3% efficiency to best of costing
- SOP's for greater work efficiencies so e.g. CSP will help to develop the framework which will be basically similar to the triangle in which there will be an advanced capability at the top and then there will be foundation capabilities and at the bottom there will be the enablers with all level of specific goals
- Maximum control on the commanding drivers to achieve the target

Sales Deciding on Organogram of Department

From a sales perspective, CSP will help design and manage the cost of sales, compensation, product pricing, channel planning, partnerships and forecasting

- CSP support will be to the department to achieve more, within broad framework of cash flow budgeting

- Suggesting in capability gaps of department and then building it through proper manpower
- Planning, training & rationalising incentive systems
- SOP for bringing out the best out of channel partners
- Equal emphasis on volume, unit economics, cost of sales
- Mock interviews with best of industry sales leaders for benchmarking our capabilities
- Proper Internal control systems will be made to avoid revenue leakage
- CSP will make sales department a customer centric/feedback driven department

Marketing

A strong finance marketing relationship can spell the difference between high growth organizations and those left behind

- CSP will create a system of “what it should be” starting with deciding on short term/long term budget of marketing (cost/leads/sale efficiency)
- Benchmarking will be done for above with industry’s best practices
- Performance driven marketing expense and tight budgetary control system
- Technology enabled marketing automation
- Customer/business/geographical segmentation to be mapped on monthly basis

Human Resource

- CSP will help the respective HR team to do manpower planning for next 3 years business plan executions as this is a major part of its financials and better control over manpower will give better control on the company’s financial position.
- Required functional training to employees for process efficiency and to make them comparatively more confident about their profile and projects on which they are working.
- Incentive systems across departments to motivate employees to perform their best. Incentive will not be monetary necessarily. It can be in any form like promotion or family tour. The final decision will always be with the mutual consensus of HOD
- MIS & SOP’s around HR function

Miscellaneous Areas

- Overall efficiency will be improved by having MIS/SOP/ERP system
- Advising department heads on people process as this is first capability process
- Working with departments for enhancing their efficiency through budgeting of cost/revenue/performance
- One innovation per person/per month will bring drastic changes

Training as Basic Execution Method

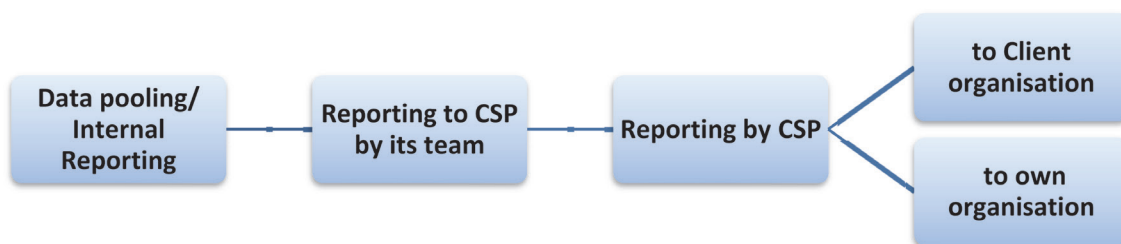
"Training" and "Incentives" are two strong pillars for great execution on a sustainable basis. This should be carefully planned at every level even within CSP organization or within client organization also. Training routines increases morale of employees and ultimately enhances productivity. Suitable incentive structure across organisations is still a rare thing to find and here lies great opportunity for CSP. We have already discussed earlier that the organisation's team is CSP's team. These fundamental reforms will yield visible improvements in very short time and will also bring trust faster between client team and virtual CFO

Organisation team training is equally critical for performance. It yields loyalty from the organisation team and results in fast informal bonding of both the teams. Bonding comes first to solidarity. Weekly meetings are separate from weekly training and 50% of such training of organisation internal team training is not very technical.

Reporting and Specific areas of execution



Reporting



Figure

Reporting to CSP by its Team

Generally, 2 tier resource planning is there for CSP deliverables i.e. manager and then management trainee (3rd year CA trainee capability). Manager is 3-5 years of experienced resource dedicated to the job for at least the first 3 months. After a 3 months period other clients may be tagged to such a manager as a major portion of working is set with the current organisation. Apart from this internal team, the entire organisation's capability is there for CSP to utilise it to its best except certain exclusions agreed at initial level of discussions.

Daily/weekly reporting pattern with standard reporting formats are there to reflect on

- Stuck ups and support required either from CSP leader or from HOD's/Promoter
- Major pendency, reasons, and next dates
- Major understanding gaps at any level

Reporting by CSP to Client Organisation

Board reporting is an attempt to update the financial reporting process. By way of board reporting, the directors are provided meaningful and timely financial information. It is a preparation of a complete checklist for the senior management explaining the critical performance indicators. It can be understood as consolidation and redesigning of financial reports, investment reports, business analysis reports, budget reports, etc. Hence, this involves both internal and external reporting by preparing detailed MIS reports

Weekly reporting for updates is done in standard format on specific deliverables, already identified. One to one meetings with relevant HOD's to have their feedback on draft reporting on a weekly basis is essential before sitting with management on this report and discussing for next week's plans. It is designed in such a way to

pave way for monthly/quarterly reports instantly. HOD's meeting may be required to seek attention on outcomes of reports, which is done under due discussion of the management.

CSP leader reporting to own organisation

In a reasonable size of organisation, tech enabled reporting systems are in place to reflect on daily time deployment on specific subjects at every level of Virtual CFO. Priority wise team allocations are done, and weekly plans are laid out to map daily resource time allocations. This paves the way for weekly reporting. This format incorporates other opportunities with the client organisation to be tapped by another team, concurrently or in future.

Succession Planning

At the time of the last stage of the assignment completion, it is very important for the CSP to have succession planning. This step is most crucial to ensure that the performance of the CSP is carried forward in his absence and the positive momentum he has brought in the organisation continues for the longer period.

During succession planning, it may also require support to recruit a new CFO for which the CSP can provide the exact job description, roles & responsibility, experience, and inter-personal value of the new CFO.

Handover & Exit

After successful execution of succession planning, the CSP handover the requisites to the new CFO/management and takes a successful exit

The handover may be in the form of report of the key performances, reports on various to-do and do not list for the successor, revised SOP's or documented new processes, To Do list for upcoming statutory and financial compliances.

Few Execution Areas

Execution in SME

SME'S are an integral part of any economy contributing a major portion of GDP. They are also great in numbers as most of the time SME cannot afford high quality high cost professionals in their organization CSP fits in these kinds of organizations. CFO services are right fit in these organisations. Most of their problems are universally the same such as inefficient accounting systems, poor financial management, credit line difficulties, high levels of receivables and inventory levels, unstructured processes and reporting, absence of cash flow management/budgeting process. CSP firm is best positioned to help SME's in all its efforts for growth and sustenance of business.

A lot of SME virtual platforms are being created to bring their collective demand and supplies at one place. Even a cluster-based approach is being adopted to serve more than one SME by the same CSP through collective processes. Number of SME's and their distributions across geographies are mind blowing, CA fraternity has been taking care of their compliances/auditing for long. Now is the time for CSP's to engage with them for business growth.

In such scenarios one manager and associate can be serving more than one SME at a time and that too bit diversified businesses under due guidance of CSP leader. Resource pooling from different Virtual CFO Service Providers is key to such executions.

Execution in Local Vicinity (Where CSP Firm has Its Office & CSP Leader Locally)

Mostly executed through conventional organisation structure

CSP leaders can supervise 4-5 executions concurrently and even managers can also be allocated to more than one assignment as and when required. CSP leaders pay a weekly visit (once or twice) as per requirement and ensure close coordination. Physical proximity helps discovering other opportunities with the group. Broad base service offerings and local references play a larger role. Local liaison strength can be easily reflected on HOD's and promoters to garnish better credentials for diversified opportunities with the group. Comparatively much easier with a lot of flexibility for on the part of team and team of client organisation.

Other Locations (Where Local Office/Local CSP Leader is Not There)

Generally, two visits a month is a process on the part of the CSP leader. Manager may be required to have a longer stay with the client team (initially 7-10 days managed in one or two visits). It is always advisable to manage associates and trainees locally. We can collaborate with any local CA/CMA firms on this. Client finds a lot of comfort when CSP team members are around and accessible, even if they are associates and trainees. Based on prospects, planning for a local office can be done. Multiple types of arrangements are possible with local capabilities across geographies.

It becomes blessings in disguise as most of the time, CSP concept is new to such territory and existing clients can be made a reference point for discovering other such client prospects. For them you are being present at a financial hub like Mumbai (and other international financial centres also) can be great strength in terms of fundraising, discovering capital market options etc.

International Assignments

This kind of practice has universal appeal as in many of the countries, SMEs are facing the same problems. Indian professional's cost arbitrage is at any time an advantage

and helps competing for providing CFO services across the globe. For example, Africa is a continent where there is huge talent dearth and they require such services the most. Dollar billing is the biggest attraction. Same way, these kinds of services have good scope in Europe and in growing south-east Asian countries. Following things will help any CSP firm to grow its wing both in networking with other professionals and for acquiring clients:

- i. ICAI MOU with professional accounting bodies to recognise CA's for different professional services
- ii. Indian CA's presence/working in these countries and their presence on Indian diaspora and connects with business communities of those countries
- iii. Possibility of Future "app to app professional collaboration" with Indian professional groups. ICAI manual MOU should get extension of having all such partnering countries professional body's members on app for member to member collaboration. Technology is paving the way for all these powerful models of collaboration.

Physical meeting/coordination part can be managed by local CSP leaders either through CSP own local offices or through collaborations with someone already based at those locations and remaining almost 80% virtual executions can be managed from remote locations. Timing differences can also be utilised to execution advantages. Most of the things can be completed in India for a US client while his team is still sleeping there. Initially the collaboration model would be more effective. Later on, our own team gets trained for different local executions. Local CSP leaders become one more layer to the structure. Technology and investor relationships are a huge arbitrage of working in such diversified geographies.

Virtual Platform

We are living in the virtual age of aggregation & Platforms. Platforms for CFO services are going to be the norm. Professionals and demand for professionals will be acquired on different platforms both national and international and bipolar (either in job or in practice) world of professionals will have paradigm shifts. This will provide a lot of flexibility of choice on the one hand for professionals and cost-effective solutions to clients at distance on the other. There will be third mainstream options available with professionals to work through these platforms for their variety of choices. International opportunities for professionals will be more prominent without the compulsion of shifting their families and without opting for jobs at distant locations.

Above will greatly impact demand supply of professionals and we all need to be prepared for it.

How CA'S in practice should be prepared for such professional opportunities

Firstly, a detailed counselling by any senior CFO Service provider is required to understand the nitty-gritties of it. Following are some fundamentals:

- Outsourced compliances services (Tax filing, etc.) is very different from CFO services
- More focus on credit side of the business (sale growth, Profit growth, financing & Strategies)
- Industry domain expertise is more prominent than functional strategies
- Team from industry experience will be of importance
- Top down approach of execution will work
- Networking with senior industry professionals and working through them will work if you do not have skill set acquire it through association with senior industry professionals
- Team building is more important than individual skills
- Value add/ROI to customer is more prominent than governance and compliance

This practice starts with acquiring one senior CFO experience professional with industry focus. Starting with one transaction where such a practitioner can be learning everything around CSP progression led by such experienced associates is the best method of starting on this. In parallel, one consulting LLP can be created where he can be one of the key executives. Under the provisions of CA institute guidelines, it may also be seeking appropriate permission to become a partner in such LLP. Likewise, any corporate entity can also be visualised. Other regular workforce of the CA in practice can be utilised for CSP assignments.

In parallel to above, other branding (creating separate website and social media presence) activities can also be planned. Digital presence is absolutely necessary. Again, precautions will be required to not to go beyond institutes guidelines to market yourself/your CA firms while branding this entity/logo engaged in CFO services. The most important point will be to develop industry wise CSP verticals in due course. Going forward use of technology for team management, sharing of resources, standardisation of execution will be key strategies.

Setting up Practice



Setting Up of CSP Practice for Members in Industry

A reasonable experience will be required before you opt for these high level (in terms of management) advisory services where execution is the name of the game. Normally an experience above 10 years and any domain experience may be initial things to start with. But in many cases, we are seeing even lesser experienced CA's opting for CSP services for example in start-up filed even 5+ years of experience can be seen working as quasi CFO. It will be advisable to have association with senior finance professionals (preferably with reasonable CFO experience of relevant industry). In the majority of cases, promoters of companies/groups look forward to the same industry experience and senior guy as team leader, irrespective of your capabilities. Collaborating with CA's in practice with a reasonable size of team and clients will yield immediate effect as you do not have to look for initial infra & solidarity.

Another way is to join any existing small, mid-size CFO Service firm to open new industry verticals in partner capacity negotiating partnership shares in such vertical buildings. This will be best if one does not wish to build his own brand name.

CFO Services & CXO services

Few salient differences between CFO services & CXO services are

Performance Areas	Virtual CFO	Virtual CXO
Key Result Area	Finance & Accounts, Processes,	Functional specific area such as Operations, Marketing
Roles	Strategic with hands on support on operation	HOD
Must have	Expertise knowledge of Finance with dynamic skills of planning & Execution	Domain Specific Rich Experience of TOP level
Involvement at	Strategic Stage	Operational stage of respective function
Integration	Must have integration across all department of organisation	Generally limited to respective department of organisation
Assignment Duration	6 months to 30 months Larger Term is also possible	Assignment based In General, 12 months to 36 months
Complexity	More complex as its mixed blend of Strategic & Operations and across all departments	Relatively less complex. As its limited to a functional role

Others Execution Strategies

Trainee in Every Department Strategy

CSP firms have a lot of things to initiate upon and improvise. Even most of the time, all these gaps for improvements are known to the whole of the organisation team. It all needs a cushion of resources to start on many things. Gradually organisation team's participations are ensured through on the job training to make them comfortable with all these initiatives and executions.

Trainee in every department is a powerful strategy for the above. It brings magnificent changes to the organisation without much of cost and disturbances to organisation. CSP firms become the first cushion for this. Going forward, trainees can be arranged through consultants already in the ecosystem of the organisation for a limited period and that too for specific executions. All supervision is to be made by either Virtual CFO Service Provider or any HOD/manager of the organisation. These trainees are also utilised for multiple trainings of department team and HOD's (finance or non-finance types). Few of training types are as under:

- i. Accounts/Finance team - training around Ms Excel, Tally advance function, how to write mails, daily/weekly reports.
- ii. Storekeeper/Supervisors training (on site) – for inventory record keeping, MIS, Escalation matrix, etc.
- iii. Finance for non-finance – To HOD's and key managers – on different aspects of importance from finance perspective and why a weekly co-ordination with finance team is very important

Likewise, other trainees in other departments (Engineers & MBA trainees in sales, projects and other operations) can be utilised for different department trainings. Most of it has negligible cost implications and works wonderfully well. It is said that the difference between an average performer and excellent performer is approx. 8 times. Training helps to upgrade productivity by manifold.

Gradually, encouraged by above, these organisations can get themselves registered with CA/CS/CMA institutes and can be building a flow of long-term trainees within organisation. Excellent performers amongst these trainees can be placed in MD camp office to enhance MD's/Directors daily productivity. Likewise, other department heads can be engaging with different premier institutions for bringing high quality trainees from these institutions and making regular flow of it. Such trainees' benchmarks existing team performance from every standard and help build a strong frontline of the organisation and break inefficient flow of work where managers, most of the time are doing their juniors' job. It saves a lot of organisations time across levels.

Benchmarking process for every HOD/department:

This is one of the most crucial aspects of any CSP engagement. It starts with benchmarking at organization level by benchmarking financial performance against the leader's financial performance in the industry (both listed and unlisted as annual returns are available on MCA site) and then flows down to benchmarking at HOD level. Creation of the Advisory Board (of multi-disciplinary legends) is one of such important processes of benchmarking. Training by industry veteran heading a department of a bigger/better organisation can be another way of benchmarking at Department level (for all its team capabilities/motivation level and processes). Top down gradual approach is required to build this as the basic structure and culture of the organisation. Think about a situation where CSP, during its initial period of engagement, brings stories about industry leader processes/financial performance in an organised form and let promoters and HOD's do their introspection for different reforms required, rather than telling it upfront in the referendum format.

Mock interviews

Mock interviews are one of the best methods of greatest learning. Senior management and HOD's of industry leaders are scheduled for mock interviews for a quick benchmarking and gathering strategic inputs about the industry. In many of the cases it helps decide management for the next level of team building and puts **Yaksha Prashna** in business building. This process may be built for junior roles after reaching maturity. Businesses after the initial journey are nothing but team building for promoters. Mock interviews bring the best of knowledge about team building to promoters and HOD's. It helps in succession planning also by shelving key prospects against sudden exit of critical resources.

Importance of Tools



Importance of Tools

By now we have very well understood Why, How and Types of Virtual CFO (VCFO) services and also learnt about the target clients. It is time to understand the basic tools and templates as well which can be used and followed for best services to proposed clients.

Currently, there is no official requirement as to the qualification that a VIRTUAL CFO should hold. However, it is generally expected for a VIRTUAL CFO to have finance related university degree, professional accounting qualification and sufficient relevant experience.

In addition, Virtual CFOs can obtain the professional certification which is available both in domestic and international forums. However, ACCA, ICWA, CFA, CPA are equally equipped with providing these services.

A qualified accountant from ICAI is the best preferred alternative in Indian business scenario.

When we are using it for building those spread sheets for CAPEX, projections, performance analysis, equation break and the like, we spend hours together. However, it becomes difficult for the stakeholders to understand what is going on. Therefore, it is very important to make it user friendly and to the point at the same time as well.

There are various software available in the market offering various tools for efficacy and efficiency of services as VIRTUAL CFO. However, for a CA in India "excel" based tools are very important as they are highly acceptable across industrial segments. Hence, sticking basic accounting, control and other tools and formulating them in spread-sheets precisely becomes very important.

Selection of tools based on the nature of business of the client is very important. The behaviours and experience level of stakeholders also play an important role in designing and modelling a particular tool for controls and administration. In the coming pages, we will try to understand the basic tools available for VIRTUAL CFOs which they can select as use for their respective clientele.

Tools used by VIRTUAL CFOs

When we are referring to tools, they are nothing but regular tools which a financial expert should be using to gain overall control on the business of the given client. As we all know that being a VIRTUAL CFO is not only acting as a financial controller for any business but also its partnering with the promoters and stakeholders of the very business organization.

Here on and in the pages to follow, we will be discussing various accounting, controlling and financial tools available and their importance to a VIRTUAL CFO and the business as well. We will also try to understand how the use of these tools can help service a client in the most professional way mutually beneficial to all stakeholders involved.

Below is the illustrative list of various tools and techniques which have proved their worth for VIRTUAL CFOs. Each one of them will be dealt with in detail subsequently.

Sr. No	Brief description	Function
1	Financial performance on regular intervals.	Profitability
2	Comparison of actual performance with budgets, previous periods of current year and previous year.	Variance Report
3	Cash-flow statements	Liquidity
4	Productivity and volume analysis.	Productivity
5	Gap analysis for management bandwidth. (this may not be a regular phenomenon)	Exceptional
6	Fixed assets register, usage, possession.	Asset Management
7	Statement of Changes in working capital (from one period to another)	Usage of Funds
8	Periodical statement of receivables and aging schedule thereof.	
9	Inventory analysis, aging and treatment of obsolete and/or slow-moving goods.	
10	Optimal usage of available resources for working capital.	
11	Projections for coming period(s); working out IRR.	Strategy/Planning
12	Working out any additional requirement of CAPEX and manpower to achieve targets.	Strategy/Planning
13	Working out the requirement of funds to take care of projections/targets.	

Note : Tools from (9) and (13) above are mainly simple analyses which are more of self-compute and calculative based on projections and business of the company. Rest all we will discuss in detail with relevant usage, importance, advantages and limitations in forthcoming pages.

a) Profitability Analysis

Every business enterprise, its promoters and owners are mainly concerned about profitability in the first place. Even in the case of non-profit organizations, though the main focus remains at other causes for which they are incorporated, the profitability still remains at focus to cover all costs in any business organization.

Depending on the size and nature of the business of the client, a VIRTUAL CFO primarily focuses on profitability and design an information system to ascertain that true profitability of any business duly bifurcated into each of its segments. Profitability analysis mainly consists of overall performance of business, customer wise profitability analysis, product wise profitability analysis, geography wise profitability analysis, etc. Depending on the business of an enterprise there may be further analysis as branch wise, salesperson wise, and the like.

Various advantages and disadvantages of profitability ratios should be considered before utilizing these ratios in analysing a company. The ratio analysis is one of the important fundamental analytical tools, one can perform to judge whether the company is among the plausible investment categories. One can do the ratio analysis of a company on a standalone basis or by comparing with the industry peers.

Amongst various categories, we are going to discuss the pros and cons of profitability analysis first. Profitability ratios as one of the categories have subcategories. Whenever we deal with profitability ratios, we always think of profit as a percentage of something.

Let us take some of the important ratios that represent the entire profitability ratio's category and discuss the advantages and disadvantages of the same.

E.g. Main profitability ratios are: -

- 1) Net profit margin ==> $\text{Net income} / \text{Total sales}$
- 2) Gross profit margin ==> $(\text{Revenue} - \text{cost of goods sold}) / \text{Revenue}$
- 3) Return of assets ==> $\text{Net income} / \text{Average of opening and closing assets of a given period}$
- 4) Return on equity ==> $\text{Net income} / \text{Average of opening and closing equity of a given period}$
- 5) Return on capital employed ==> $\text{Earnings before interest \& taxes} / (\text{Total assets} - \text{Total Liabilities})$

1. Net Profit Margin

Net profit margin is also termed as a conclusive ratio by many financial experts. The main reason being very simple, if this ratio performs well in the given year and the trend is favourable, most likely the company is doing well and is on the tract on which it intends to be.

The main reason why financial experts termed it as a conclusive ration is because, any issue with other ratios and the performance of the Company will have a direct impact on its net margin. Hence, it is always suggested to first look into this ratio.

Since different industry sectors will have their own way of operating; it is very difficult to compare the companies from different sectors based on only Net Profit Margin, and this works as the only disadvantage of this ratio. For expansion strategies and launch of new products in the competitive market; the companies may opt for low profit margins initially.

2. Gross Profit Margin

Gross Profit Margin, as we all know, is the difference between the gross sales and cost of goods/services sold. If the gross profit margin is, say 25%, of the sales, this means 25% takes care of general and administration expenses and net profit. Therefore, a higher gross profit margin will increase the chances to improve the net profit margin as well. In case there is any problem in the efficiency of operations of a company, this ratio immediately points out the same. In order to not have any adverse impact on the desired net profit margin, the company has to ensure that the gross profit margin is sufficient enough to cover the general and administration expenses and leave sufficient balance for net profits.

This ratio only helps to investigate upto the operational efficiency of a company. Hence, this cannot be termed as a full and/or a conclusive ratio as net profit margin. Further, like net profit margin this ratio also is of not much help in case of comparing companies from different industrial segments. Last but not the least, without having a look at the net profit margin, this ratio alone cannot be interpreted.

3. Return On Assets

One has to be cautious while using this ratio as there various methods of amortization and depreciation available with the management and they can easily manipulate the financial statements by overvaluing or undervaluing and also by merely changing the method of depreciation.

4. Return On Equity

If one just wanted to stick to his investment, he will always have an eye on the profit his investment is making. Return on Equity is popularly used alongside the net profit margin. We have seen that the net profit margin has its inbuilt disadvantage while comparing the companies across the business verticals, this ratio overcomes that disadvantage as it is comparable across company's peer groups. For an equity investor, the profit generated on their equity matters the most. This ratio is used in calculation of residual income valuation. Residual income valuation is used in calculating the intrinsic value of equity. Therefore, greater the ROE higher will be the intrinsic value of equity shareholders and as a result it will maximize their wealth.

One should be careful about the fact that the return on equity is not increasing just because the value is being created in the company by passage of time. The management of the company, in the urge of attracting the investors, may manipulate this by buying back its own shares which result in lesser number of equity shares and hence increase in the return on equity.

5. Return On Capital Employed

In order to judge the performance of the management of a company this ratio is widely used. This ratio helps us know about the management's performance in putting the capital to its most efficient use. In many big companies the management compensation is based on set targets of this ratio. Like Return on Equity, this ratio also can be compared with the companies across different industries. This ratio judges the overall utilization of funds of the company which makes it advantageous to the analysts. Further, this ratio covers both, the equity as well as debt.

Since this is calculated on the book value of the assets of the Company, one needs to consider the market value of the assets of the company while computing this ratio. Only then, this ratio becomes more relevant.

b) Variance Analysis

Every business makes forecasts and projections for the coming period. When the plans are implemented, there is a possible chance of deviation, either favourable or unfavourable.

Variance analysis helps the analysts as it is the study of deviations of actual versus forecasts and projections in budgeting or management accounting. This helps one to understand:

- a. The assumptions on which the forecasts and/or projections are made were relevant.
- b. The actual performance was exactly in line with as assumed at the projection stage.

There are two steps of Variance analysis viz.:

1. Calculating the variances.
2. Identifying and understanding the cause of each variance.

Reasons for variances can be either of the following

1. The market conditions can change from the stage of making projections and the actual performance and this may cause the standard budgeting practices unrealistic, for example Short supply of raw materials causing suppliers to hike prices.
2. Many assumptions such as standard output and standard man-hours may not hold good in real implementation stage.
3. In case of delivery of services, the actual working conditions may differ from what we projected and this may cause variance.
4. Certain areas such as "level of occurrence" and the like has discretionary basis for planning, e.g. Output of creative activities can be benchmarked to a high level of accuracy.

Variances may be classified under the below mentioned heads

1. **Material Variances:-** These arise from the difference between actual costs of materials used in production and standard costs of materials specified for the goods produced. This comes into play because of the difference in quantities consumed and quality initially allocated for production. This can also happen due to the difference in price paid and price budgeted for materials used.
2. **Labour Variances:-** This denotes the actual wage paid to workers versus the standard wage prevalent for the output specified. When the actual labour costs are more than budgeted ones, the variance is unfavourable.
3. **Overhead variances:-** It may be defined as the sum total of indirect material, labour and expense costs. Overhead variances may arise due to the difference between standard overhead costs budgeted and the actual overheads incurred.

Seldom is a business going to be successful without using proper managerial tools to evaluate how the business is performing. At the most basic level, every business needs to prepare an annual budget. A budget is often used as a road map, outlining the organization's performance objectives for a given period of time.

In order for a budget to be considered useful, it needs to be used as a comparison tool when the business results start rolling off the computer. This is referred to as Budget Vs. Actual variance analysis. By comparing a line item budget to actual line item results, VCOs can learn a lot about the business of their clients.

This will enable them to make key adjustments and business decisions that might make the company more profitable in the future. It's important to note that a variance analysis does not answer questions about business performance. Instead, it gives an indication of where to look for possible material issues.

Budgeting is not an exact science. It's an estimate of expected results based on certain criteria. Even experienced business managers can have difficulty preparing a budget. Once a variance analysis has been completed, the task at hand is to focus on investigating "material" variances. Every organization is going to use different parameters to decide what they believe are material. As a good rule of thumb, any 20% or greater line item variance should be subject to further investigation and explanation.

Key benefits of Variance Analysis

1. Identifying budget problems

If a variance analysis renders a set of results that create large variances throughout the report, it might be an indication there are significant issues with the way the budget is being prepared. The issues might relate to the use of bad data or input or perhaps there are formula mistakes in the spreadsheet being used to prepare either the budget or the actual variance analysis. In essence, a variance analysis becomes a good method for evaluating the company's budgeting process. By taking the time to improve the budgeting process, the company should become more efficient.

2. Identifying revenue/expense issues

In the case where only one to several line items indicates a material variance, further investigation of each of those items becomes necessary. If a revenue item is out of whack, it is critically important to determine if the source of the problems relates to sales volume or perhaps to pricing issues. Either way, a responsible VIRTUAL CFO would want to sit down with the company's revenue generators (salespeople) and figure where the actual problem lies.

As variances relate to expenses, the results could be an indication of careless spending. It might necessitate accounting personnel working closely with those who are making purchasing decisions to find ways to secure better volume discounts or improving the bidding process in order to secure the best prices in the marketplace.

Sometimes, variance in both revenue and expenses might be related. If revenues show a positive variance while expenses show a negative variance, the explanation of both variances could be that business is better than expected. If the profit margins are close to budget, there might not be a problem at all.

3. Identifying needed changes in the overall business strategy:

In some cases, budget Vs. actual variances might point out the need to re-evaluate the company's product line or target customer base. A lot of assumptions go into preparing a budget. If those assumptions are causing the budget to blow up, it might be because related projections are simply wrong for a variety of reasons. It might be as simple as a change in the economy or as complicated as delays in getting products out to customers. At the end of the day, necessary changes within the business might be indicated.

4. Identifying managerial issues

At times, a variance analysis can provide insight as to how well or poorly the company is being managed. In the purchasing example mentioned above, the inability to lock down reasonable volume discounts or secure competitive bids might indicate personnel problems in the purchasing department. Furthermore, weak sales might be an indication of salespeople being improperly trained or motivated. By addressing these types of issues, the variances might disappear as the company gets on track.

5. Identifying criminal issues

It's not something people want to think about, but employee theft is likely to rear its ugly head where and when business managers least expect it. More often than not, theft issues tend to appear as variances in the expense categories. If employees are stealing product, sales numbers won't match inventory levels when cost of sales calculations are done. If money is being embezzled, cash expenditures will exceed expenses reported. It's not fun, but variance analysis has long been one of the most effective ways to identify possible internal crime issues.

While a budget Vs. actual variance analysis might not provide all the answers, it has certainly proven time and again to be an important tool for the

management to use when making decisions about the business. Without a variance analysis, a budget ceases to be a working document and becomes little more than a presentation slide for the benefit of business owners and/or prospective investors.

c) **Cash Flow Analysis**

Statement of Profit & Loss and statement of cash flows are two statements which a company prepares religiously for a given business cycle. First shows the profits made or loss incurred during a business cycle by a company and later shows the cash position of the company.

A cash flow of a company at any given point is the difference between its cash available at the beginning of an accounting period and at the end. The cash includes loan proceeds, investment income, and the sale of assets, and spent for paying the operating expenses, direct expenses, principal debt service, and the purchase of assets such as equipment. Cash is kind and one can be profitable on paper, but cash poor. This position is dangerous and a company is soon at the verge of running out of cash.

The various sections in forthcoming paragraphs describe cash flow statements from various aspects. The study would help us find out how to do cash flow analysis in order to increase an enterprise's cash flow. We will also get to know about cash budgets and statements of cash flows and understand how to analyze them. This knowledge and understanding are key to properly analyzing and operating the business.

How to do cash flow analysis?

Cash is an utmost requirement that makes any business function. And to check the health of a company, a cash flow analysis is used. Cash flow analysis is the study of the movement of cash through business; some may call it a **cash budget**, to determine patterns of how we take in and pay out money.

Cash flow analysis should not be confused with statements of cash flows of a company. Keeping track of cash flow is essential for the survival of any business, big or small. However, financial experts sometimes speak about the cash budget and a more comprehensive statement of cash flows.

The first step in analysing a statement of cash flows

A business state-holder must look at the last two years of the company's balance sheets and compare the difference between the two in order to develop the statement of cash flows.

With information from an income statement, such as profit or loss and depreciation, as well as the information from the comparative balance sheets, particularly how current assets and liabilities may have changed, one can develop a statement of cash flows.

Preparing and analysing a statement of cash flows

The cash flow analysis mainly is comparing the uses and sources of funds from the comparative balance sheets, which allows a company to better see its future cash needs.

The statement of cash flows provides valuable information about a company's gross payments and receipts and allows insights into its future income needs. The cash flows statement consists of three sections: operating activities, investing activities, and financing activities.

The indirect method of preparing a statement of cash flows begins with the net profit from the income statement, which is then adjusted for non-cash items, such as depreciation

Cash flow from operations - elements one need to complete on section one are earnings before interest and taxes (EBIT) and depreciation. Depreciation is a planned reduction in the value of a fixed asset as it is used. For the purpose of cash flows from operations, add all of depreciation expenses together to arrive at total depreciation expenses.

EBIT is a representation of the ability of the firm to earn from operations. This means that the value represented by EBIT does not have any finance costs (interest) or government influences (taxes).

EBIT is derived from net profit in the following equation:

Net profit (minus) interest expenses (minus) income tax (equals) EBIT

Cash from operating activities is calculated in the following equation:

EBIT (plus) depreciation (equals) cash from operating activities.

Cash flow from investing activities - This section a summation of the investment gains or losses a company encountered in a period. It includes purchasing or selling fixed assets, such as a plant or equipment.

Other activities include purchasing of investments, settlement collections, loaning money, or collecting on loans made. This section deals with investing activities, like purchasing shares of stock, not financing activities such as securing funding.

When a company purchases assets, investments, or creates new loans, it documents a negative flow of cash. Similarly selling them or collecting on a debt, it records a positive cash flow.

Cash flow from financing activities - This is a section that shows the financial activities not recorded in investing activities that were a result of transactions for long-term funding or return of the funds. Activities in this section are a direct result of receiving and making payments on loans.

The sale of company stock for financing can be recorded in this section, along with repurchase of stock, dividend payment, debt repayment (as long as it is for a financing activity). Any payments going out are negative cash flows, and any payments received are positive cash flows.

Advantages of cash flow analysis

Knowing when your money comes in and when you pay invoices gives you a perspective on your financial situation, a budget, profit and loss statement general ledger or balance sheet can't. Even if your business is profitable, poor cash flow management can lead to costly or embarrassing situations you might have easily avoided. That's why it's beneficial to do a cash flow analysis.

Maintain adequate cash reserves

Knowing when your customer's payments will arrive and when your outstanding is due to be paid will enable you to have enough cash on hand to pay your bills. If you book a Rs.20 crore sales that costs you Rs.10 crores to fulfil, that sale might hurt you if you pay your suppliers and employees that 10 crores within 30 days but your customer won't pay the 20 crores bill for 60 days. A cash flow analysis allows you to maintain adequate cash reserves to cover situations such as these.

Manage credit better

If one uses credit to pay one's bills, a cash flow analysis helps him to prepare enough credit availability or arrange for a loan in time. In addition to estimating cash flow based on expected expenses and income, build in a cushion for cost overruns and late payments or bad debt. Mismanaging your credit not only leads to an inability to pay your bills, but it can also result in declined charges, interest penalties, fees and damage to your credit report and score.

Helps you adjust

Knowing your cash flow situation will help you make adjustments to keep your business operating. For example, if you are paying down debt each month, a cash flow analysis might alert you to the fact that you need to save that cash

to build your reserves every quarter. You might be able to reduce your spending in a specific area during a period of slow receivables. In some instances, you can defer your salary. You might ask customers to pay earlier or work with your creditors to delay payments to help you through a short-term cash crunch.

Avoids production interruptions

If you have huge profits on paper, that won't help you to keep your staff working or suppliers sending materials if you can't pay them on time. When you can't make payroll, put down deposits or order supplies and materials, you can lose your ability to make your product or provide your service. Even a temporary loss of production can put a significant dent in your profits and throw your budget out of whack. In addition, an inability to fill orders starts rumours spreading about your company and might cause your customers to find a new supplier.

d) Working Capital Analysis

Like cash flow analysis working capital analysis is also one of the most fundamental concepts of financial analysis. One is about the company's financial statements as a whole and another is associated with the balance sheet on a company's financial statement.

As all the sections of a financial statement, in a way or other, impact one another, and hence, the changes in working capital affect the cash flow of a company. Therefore, it's important to understand each of the components separately.

The amount of money which a company has to pay its short-term expenses and liabilities is called working capital, we may also call it net working capital. It represents the difference between a company's current assets and current liabilities.

When a company has more current assets than current liabilities, it means it has a positive working capital. This means that the company is fully equipped to pay its short-term liabilities as they come due in next 12 months. It is a sign of financial strength. One has to be cautious that having an excessive amount of working capital for a long time might indicate that the company is not managing its assets effectively.

Reverse is in the case of negative working capital, when the current liabilities exceed the current assets. Working capital could be temporarily negative if the company had a large cash outlay as a result of a large purchase of products and services from its vendors. But having a negative working capital for a longer period, may cause for concern, as it indicates that they are struggling and are relying heavily on borrowings to finance their working capital.

Since we have sufficiently discussed cash flow in previous topics, we will only refresh it here to keep our understanding in this regard readily available to understand effects of changes in working capital on cash flows of a company. Cash Flow is the net amount of cash and cash-equivalents being transferred in and out of a company.

Does Working Capital Impacts Cash Flow.....How?

If a transaction increases current assets and current liabilities by the same amount, there would be no change in working capital. For example, if a company received cash from short-term debt to be paid in 60 days, there would be an increase in the cash flow statement. However, there would be no increase in working capital, because the proceeds from the loan would be a current asset or cash, and the note payable would be a current liability since it's a short-term loan.

If a company purchased a fixed asset such as a building, the company's cash flow would decrease. The company's working capital would also decrease since the cash portion of current assets would be reduced, but current liabilities would remain unchanged because it would be long-term debt. Conversely, selling a fixed asset would boost cash flow and working capital.

e) Aging Analysis

Aging analysis of the Accounts Receivable is a critical tool for managing the business and is widely used by the CSPs. Most of the financing company will analyze the Accounts Receivables of a company as part of its appraisal to understand the quality of receivables of a company. Surprisingly, several companies do not have this valuable report available which is a sure indication that they are not using it. This part of discussion helps us understand the AR aging report and why it is important.

What is an aging report?

An aging report groups outstanding invoices into date categories. The categories are usually on the basis of type of ageing which an analysis would like to make depending on the size and nature of the business:

The example could be:

Current - Invoices that are within terms.

1 - 45 - Invoices that are 1 to 45 days past due.

46 - 90 - Invoices that are 46 to 90 days past due.

91 -180 - Invoices that are 91 to 180 days past due.

> 180 - Invoices that are more than 180 days past due.

Uses of Aging Analysis of Accounts Receivable:

An aging report is useful because it gives a snapshot of the money that is outstanding and due to the company by its customers. It also helps identify the quality of customers and categorizes them in good and bad. Also, it helps understanding the customers that are failing behind on their payments which is a clear sign of an underlying problem. Note that slow payments do not always indicate financial problems; it could indicate a possible dispute or misunderstanding. Many companies use this report when planning collections calls and when trying to forecast their cash flow.

Financing companies, mainly those involved in the business of factoring, will ask for the aging report because it helps them understand the outstanding receivables and their quality. This report, in combination with commercial credit reports, to determine the state of receivable portfolio and its value. As such, the aging report is a critical component used to create factoring proposals.

Also, the aging report is used in the due diligence process to detect invoices that pay slowly. The report helps identify possible collection issues. Since receivables quality directly impacts the cash flow of a company, the aging report becomes a crucial tool for any finance head of a company.

f) **Cost – Volume - Profit Analysis**

In the ever-changing business environment in which a company operates, cost and volume keep changing. In order to understand the behaviour of profitability of a company, Cost Volume Profit Analysis (CVPA) is used. We can also say that CVPA is an analysis presenting the impact of cost and volume on profit. It helps in finding a no-profit-no-loss situation which technically is called break-even point of a company. In a similar fashion, CVP analysis can also explain the number of units of sales required to achieve a targeted operating income.

This analysis operates on a number line, base point is ZERO, below that comes negative numbers and above that are positive ones. We see the phases in a company wherein we first see losses, then no-profit-no-loss and then a company makes profits. In order to safeguard its investment, the company has to achieve the breakeven point soonest possible. The question is: **How much volume of sales/activity can achieve a breakeven point for a business?**

Following are the assumptions of CVP analysis:

It assumes that the total variable costs and revenues would increase or decrease only due to change in number of units. There are no factors that will affect it.

The assumption “costs are either variable or fixed” says that all the costs are either variable or fixed. In other words, it says that there are no semi-variable or semi-fixed costs.

CVP analysis assumes that there are no changes in the price and variable costs per unit irrespective of change in time period and relevant range. If we see closely, it is neglecting the chances of changes in prices due to inflation, economic conditions etc. Also, neglecting the bulk order discounts and small order premiums.

CVP analysis helps the management to find out the breakeven point and target operating income. This technique is mainly used to evaluate any investment proposal. It also helps setting a sound base for planning the business strategy of the business.

Since the assumptions used in CPVA may not hold good in a current dynamic business environment, the management is forced to react and make necessary changes in prices and costs due to change in economic conditions, customer bargaining powers, competitors etc. Similarly, all costs cannot be simply classified as fixed or variable. Finally, the number of units is not the only driver of total costs and revenues.

Virtual CFO Service is a great opportunity for all Chartered Accountants. The different facets of this service is explained in this publication and it is enticing to share some practical case studies by comprehending the client requirements, outsourced CFO role and the impact delivered.



Practical Case Studies



1 – Case Studies: Universal Evolution Advisors (UEA)*

Facts



Industry	Ownership	Management	# of Employees	Size	Project Duration
Social Impact Consulting	MNC	Professional	50-250	\$ 7-10 million	1 month

Company Profile

Universal Evolution Advisors (UEA)* is a strategy and policy advisory firm. Founded in 2001, the company specializes in global development. UEA* has worked in over 90 countries with over 400 clients including governments, foundations, international agencies, non-governmental organizations, and Fortune 500 companies.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Study the past experience of all employees of the finance & accounts department as well as current JDs to understand their roles and responsibilities.
- Buddy-sitting exercise to undertaken with each F&A team member, to understand their current roles & the responsibilities taken up by each of them , time allocation for each task, efficiency levels etc.
- Review the contract with the outsourced service provider for accounting, payroll processing & statutory compliances. A buddy sitting exercise was also conducted to understand the activities they are currently doing.
- Since KRAs and KPIs were not predefined, Outsourced CFO was expected to build and define KRAs and KPIs for the entire F&A team

Outsourced CFO Role

- Study the current Finance and Accounts (F&A) structure of the company
- Employees were provided with defined JDs in accordance with their expertise.
- F&A organization structure were defined to evaluate optimal team size keeping in view future requirements & expectations from F&A
- Appraisal process was based on pre-defined KRAs/KPIs for F&A team.
- Maker Checker to be built into F&A processes & incorporated in JDs as well.
- Propose new F&A structure for maximum efficiency of the F&A team

Impact Delivered

- The proposed F&A structure ensured that there was **no significant increase in cost of operational staff.**
- **Better control & efficiency** was obtained by moving core functions like tally accounting & statutory payments in-house, as per Outsourced CFO' recommendation
- **Lesser review time of internal staff** due to better quality of output from the in-house staff.
- Moved Tally accounting inhouse so that **no legacy issues** remained when the company shifted to quick books for Indian statutory purposes.
- Every team member was given a new time allocation for his/her responsibilities for optimizing time management that resulted in 20-45% time saving in all F&A team members.
- **Reduce cost of external outsourced F&A team by over 90% in a span of 4 years.**

2 – Case Studies: Loan Mate*

Facts



Industry	Ownership	Management	# of Employees	ROI on Fee	Size	Project Duration
NBFC	Majority PE Owned	Professional	50-250	~4.8x	\$ 7-10 million	40 months

Company Profile

Loan Mate* is a company operating in the unsecured financing space. The company is principally engaged in providing unsecured loans to people who cannot access the normal banking channels. Outsourced CFO has been involved with this company for the last 40 months

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Assistance in building multiple scenarios & sensitivity around the exiting business plan
- Assistance in putting in place and tracking performance management metrics
- IT enabling the business through implementing an ERP
- Putting in place mechanisms to track efficiency of sales and marketing efforts of both the 'internal sales team' and the 'DSA'.
- Cash flow management and forecasting, Building internal controls on cash management
- Development of a costing and pricing model

Outsourced CFO Role

- Revenue streams & Fixed costs were identified
- Costs were also split into discretionary (Specific marketing costs) and non-discretionary and as direct and indirect
- Introduced the concept of actual (accounting based on accrual) and notional (notional cost of equity/capital) costs which allowed the company to track the P&L based on both the aspects
- Introduced a 3 level margin analysis (a) Gross Margin (Interest income minus interest expense) (b) Gross Margin 2 (Gross Margin minus direct cost involving business development costs as well as notional provision for NPA/bad debts and (c) Gross Margin 3 (Gross Margin 2 minus corporate overheads)
- Costing at a customer or portfolio level allowing the company to track profitability at a Sales person/DSA level

Impact Delivered

- **Complete alignment** on the definition of how **business performance** would be **measured** (borrower, portfolio, geography, channel and company level) and in pursuing discussions with the CEO & business heads
- Multiple cost dimensions allowed the company to **tag the costs at a transaction level** thereby making it easy to slice and dice costs across various dimensions. **Assisted in setting clear 'cost reduction' targets**
- **Customer and portfolio profitability** allowed the company to make decisions on to lend or to invest the funds into liquid mutual funds **which eventually gave 'margins' of 8%**
- The notional P&L allowed the company to **track performance based on 'Cost of capital' or 'Opportunity cost'**
- The 3 level margin analysis allowed the management to understand the **impact of costs at various levels at any given point in time** and helped to **decide the pricing** and take quicker decisions without the need to check with the head office

3 – Case Studies: Arab Cuisine*

Facts



Industry	Ownership	Management	# of Employees	Size	Project Duration
F&B	Private Limited Company	Family Managed	100-250	\$2-4 million	36 months

Company Profile

Arab Cuisine* founded in the year 2000, is a fast growing Arabic restaurant chain with over 14 outlets largely in Mumbai and Pune. The Chain is PE invested.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Lead the F&A team under the CFO role
- Take on multiple responsibilities under a 180-day operating plan
- Review the internal processes and implement key internal controls
- Manage Inventory management tool and ERP system
- Improve cash flow management and weed out inefficiencies in the working capital cycle

Outsourced CFO Role

- Championed the process of finalizing the budgets and financial forecasts
- Incorporated key metrics for CEO and Professional Investor in monthly MIS
- 1 – hour weekly review of all 180 day initiatives, a single window to the Promoter to check progress, take decisions and clear road blocks(if any)
- Monitored internal audit, framed key accounting policies and SOPs for finance processes

Impact Delivered

- **30% time reduction** in budgeting and tracking performance
- **40% improvement** in the **average debtor collection period**
- **Better visibility** on measurement and reporting of key performance metrics resulted in better business management

4 – Case Studies: Nutriland*

Facts	Industry	Owner-ship	Management	# of Em- ployees	ROI on Fee	Size	Size of Global Parent	Project Duration
	Packaged Foods	MNC	Professional	250-500	3.2x	\$100- \$250 million	\$25-30 billion	2 months



Company Profile

Nutriland* is a INR 600 Cr FMCG MNC started business in 2012, through the acquisition of the nutrition business owned by Wockhardt Group. The challenges faced by the FP&A team lead to the thought & decision of developing a tool for - Multiple reporting requirements globally, Increased frequency of reporting forecasts, Budgeting/forecasting activity being considered as finance kitchen, ownership issues on the numbers used for forecasting & Lack of complete visibility & accuracy on back end data used for forecasting by business

**Names masked for confidentiality.*

Deal Summary

Client Requirement

Outsourced CFO had been mandated of developing an excel based 'Rolling Forecast Tool' for their life nutrition business. Outsourced CFO Role included,

- Implementing a robust monthly/quarterly 'Rolling Forecasts' Reporting model.
- Reviewing the current process & putting together a framework to involve all departments in the process.
- Enabling variance analysis using different parameters & at different granularity levels
- Building capabilities for simulations & for evaluating 'what if' scenarios
- Identifying key variables/drivers both external and internal & using them to build the model.
- Dashboarding to report key financial and operational parameters which can be used in management meetings

Outsourced CFO Role

Outsourced CFO's approached by conducting a one month diagnostic followed by the model building phase

- Buddy sitting with HODs to understand their expectations
- Sessions with HOD nominated SPOCs for in-depth understanding of the existing forecasting process & templates being used currently
- Presentation of the 'Approach Paper' with timelines based on above.
- Developing the structure of the excel templates
- Sign -off of SPOCs/HODs and F&A team on the structure
- Model building using the agreed structure.
- Testing & Interim reviews by SPOCs & F&A team
- Final review & sign-off by HODs & CFO

Impact Delivered

- **Complete alignment** on the definition of how **business performance** would be **budgeted & measured** (variables & business drivers) and Establish a clear **hierarchy for decision making**
- The model with Driver-based planning and scenario management provided **improved visibility and monitoring capabilities**

Estimated time saving of the F&A team and the CFO w.r.t the activity of forecasting.

Resources Involved	Before Outsourced CFO's Model (days per month)	After Outsourced CFO's Model (days per month)
CFO	2	0.75
FP&A Team	9	3.5

5 – Case Studies: MAAL Group*

Facts



Industry	Ownership	Management	# of Employees	Size	Project Duration
FMCG	Family Owned	Family Managed	700-900	\$80-100 million	24 months

Company Profile

MAAL Group* is a UAE based, family owned company running a chain of hypermarkets & supermarkets. The company's annual sales revenue is around AED 500 Mn last year (Over INR 900 Cr). MAAL runs 27 retail and 2 C&C stores spread out in Abu Dhabi, Sharjah & Dubai and employs more than 1000 personnel hailing from multinational and multicultural background

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Procurement Process and Internal control improvement in the specific areas
- Review, Direct, Co-ordinate Planning and Budgetary function, Inventory management and Cost optimization, New project feasibility,
- Monthly financial performance and reporting with variance analysis
- Assurance Audit for the year 2013, 2014 and 2015
- Competitors Benchmarking
- Assistance in Microsoft AX migration and implementation

Outsourced CFO Role

- Identified issues and inefficiencies by thorough analysis of data - Analyzed top SKU's and imported SKU's to understand AED 7.33 Mn valued SKU's were overstocked on which additional estimated financial charges of AED 365K was incurred
- Identify and evaluate the opportunity of further improvement and cost reduction in specific areas like Logistics, Employment Cost and DMD Function
- Implemented best processes, restructured approval hierarchies and Chart of Accounts, vendor master, location master, etc. – Assistance in Audits
- Initiated detailed MIS pack and dashboards for visibility and started formal review mechanism to highlight key gaps or issues

Impact Delivered

- Replenishment Lead time for all SKU and **avoiding the over and under stock** - Current avg. margin of 23 different categories is 15% which to further **increase this up to 16% to 16.5%**
- Analysis results showed **Optimization of vehicle maintenance, Standardization of manpower at stores and Offshoring of DMD function will annually save more than AED 1Mn**
- **Feasibility reports & Analysis reports** assisted in faster and informed decision making for newer stores or products. **Improved Coordination** between the management team
- **Reduced Current Shrinkage of inventory reported (2%) of sales to between 0.5% to 1%** in line with Industry benchmark of 0.5%
- To check on the YOY increase in debt - Made the First draft of **3 years Martial Plan to bring down the long term debts** up to level of annualized EBIDA in 3.5 years
- Assistance in providing **PL Visibilities to divisional heads** and identification of **multiple areas for cost optimization** – implementation is work in progress

6 – Case Studies: JAL*

Facts



Industry	Ownership	Management	# of Employees	Size	Project Duration
Automobile	Family Owned	Family Managed	125-250	\$10-15 million	12 months

Company Profile

JAL* is a manufacturer of gears and gear shafts for automotive, agricultural, earth moving equipment and industrial applications. JAL* was incorporated in the year 1980 and started manufacturing gears in the year 1996. From 1881 to 1996, the company was in the field of manufacturing automotive bulbs. Today JAL* manufactures 15 million gears with an annual turnover of around ₹ 100 crores.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- ERP Optimisation
- MIS and Budgeting
- Cost Optimisation
- Working Capital Management
- SOPs

Outsourced CFO Role

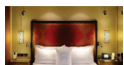
- Re-organization of entire Finance and Accounts team
- Set-up MIS and review frameworks, which involved setting KPI's, preparing MIS templates, setting review mechanism, etc.
- Automation of finance process through optimum utilization of in-house ERP
- GAP Analysis

Impact Delivered

- **Time savings** of around 35% for F&A team
- **Monthly close by 7th of the following month**
- Savings in working capital to the tune of around **2 Crs.** In a period of **3 months** by multiple measures including **reduction in DSO**
- Plan for **better profitable growth** by introducing **budgeting system**

7 – Case Studies: Comfit*

Facts



Industry	Ownership	Management	# of Employees	Size
Consumer Goods	Family Owned	Professional	150-200	\$50-75 million

Company Profile

Comfit* is a member of International Sleep Products Association [ISPA] and a leading Indian & international brand manufacturing sleep products. Over the years Comfit has evolved from mattress manufacturing plant to a sleep products company with wide range that includes pillows, cushions, spring mattresses, polyurethane foam and high tech comfort system. Comfit has 6 factories across 3 Indian states and caters to customers in 16 states

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Conduct a Process Study to provide recommendations on the present gaps in the processes and possible improvement plan
- Play a hands on, practical implementation team doing a detailed study and review the As Is processes and map it against the To Be processes
- Assistance in improving the existing controls specially for inventory management
- Define performance indicators for the business
- Assistance in building a robust costing system.

Outsourced CFO Role

- Outsourced CFO completed the project by studying the process in a phased manner for the 6 factories
- Reviewed and studied all the processes and activities within the factory
- Designed As Is process maps covering minute activities with all processes and sub processes within the factory
- On completion of process mapping gap analysis was undertaken highlighting risk and challenges in process
- Efficiency studies were undertaken for each area within factory
- Simultaneously operational MIS for factory was undertaken.

Impact Delivered

- **Comprehensive document with As Is process** (the document mapped all processes)
- Detailed **gap analysis** study **along with controls/suggestions** to address the **gaps identified in process**
- Reduced operational ambiguity and **showcased areas for Machine/Process efficiency, Space efficiency and Power efficiency**
- **Greater efficiency** (and cost savings) **with existing applications and processes** like FTE and manpower
- **Regular in time MIS & Tracker** assisted in **improved decision making** Weekly & Monthly Factory/Sales MIS.
- Assisted in **documenting** Costing and Inventory Valuation guidelines, Greater **team satisfaction** as collaboration and best practices

8 – Case Studies: EduMate*

Facts



Industry	Ownership	Management	# of Employees	ROI on Fee	Size	Project Duration
Social Enterprise (Education)	Social Impact Fund of Large MNC	Professional	25-50	~\$2 million	\$55-60 billion	18 months

Company Profile

EduMate* is a 3 year old, Social Impact venture, funded by two renowned social foundations. EduMate provides easy access to quality education to under privileged children. It runs more than 70 centres in different communities in Delhi. Management is professional but on ground execution is heavily dependent on local staff with limited managerial and leadership capability.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Stabilise a nascent business model that will minimize cash burn while maximizing efficiency (cost per student)
- Develop sensitivity analysis and scenario mapping to help the CEO run the business better
- Implement performance measurement systems, to provide on-time, regular and accurate inputs to field staff

Outsourced CFO Role

- Studied the existing business model, processes and team capability and came up with practical action points, keeping in mind severe constraints in terms of market pricing, new centre roll outs and stability of student numbers in classes
- Gradually won the support of the field staff and helped in moving accountability for performance from the COO to individual team members on the field
- Engaged in weekly reviews with under-performing centres, fortnightly reviews with area level managers and monthly reviews with Management/Board, on operating and financial metrics
- Engaged at a Board level to draw on the Board's experience in running similar social impact models, aimed at the bottom of the pyramid; helped the company to get better direction and decisions from the Board, on centre expansions and cash utilization
- Helped in the development of detailed budget, down to centre-level economics, against which actuals are now being tracked

Impact Delivered

- **Timely and accurate Operating and Financial MIS by 5th of next month** and target setting and weekly monitoring at a company, area, community and centre level
- Helped in deciding to shut down chronically under-performing centres, **saving on cash** losses and turned around performance in 7 out of 12 under-performing centres
- **Deployment of investable surplus in liquid funds** to generate interest income (outcome of reliable rolling cash flow forecasts)
- Tighter control on procurement of materials, **reducing working capital by 10%**
- **100% compliances on time**; complete ownership of F&A team freed up significant time for COO to focus on business operations
- Board Pack circulated to Board **10 days** before every Board meeting

9 – Case Studies: SIMS*

Facts



Industry	Ownership	Management	# of Employees	Size	Project Duration
Business Management	Private	Professional	200-350	\$4-6 million	1 months

Company Profile

SIMS* is a captive DPO for the Simba* group, a separate entity, a private limited company with a topline of about INR ~35 crores, assisting the larger sister concerns of the Simba* Group, such as Simba* Tractors and the Auto Commercial Passenger segment. Simba* is a large group, comprising of about 60-70 odd entities.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Assess the finance and support functions of the SIMS
- Assess the CFO's function and the role that he played
- Gain an understanding of the process and systems adopted by the finance and accounts functions
- Discuss the key observations and recommendations with the SMIS management to agree upon action plans and timelines for implementing said recommendations

Outsourced CFO Role

- Conducted an independent assessment of the CFO's function, in terms of people, process and systems
- Provided a list of recommendations to improve the functions considering the size, nature and complexity of MIBS operations.
- Realized the need of practical risk management, which until now was only a concept was only applied on paper. Outsourced CFO developed a risk and control matrix additionally to look at internal control systems in a very stringent manner, which was not done in this case

Impact Delivered

- Developed a **CFO's functional assessment** dashboard, in order to understand the areas where skills were matured, work in progress projects and their weak areas
- Provided an **independent validation** of the role being played by the CFO's office, both from a **strategic perspective and a finance operational perspective**
- Moved them from a SAP module (which Outsourced CFO felt was too sophisticated for a INR 30cr business) to a much simpler accounting system. Outsourced CFO used a similar **'critique' lens** over their timesheet systems, RMS, planning, forecasting and budgeting systems
- Positioned the **CFO as a strategic advisor** to the business for strategic agenda development or strategic business monitoring.
- Strengthened the role of the CFO in **contract negotiation & contract pricing**
- Outsourced CFO recognized the need **for SOPs to be drawn up** for monthly closing process, accounts payable, budget setting, payroll finalisation and client invoicing

10 – Case Studies: TTBS*

Facts



Industry	Ownership	Management	# of Employees	Size of Global Parent	Project Duration
Telecom	MNC	Professional	5000-5500	\$80-100 billion	33 months

Company Profile

TTBS is one of India's leading enabler of telecom services and is part of a \$80 billion conglomerate. With services ranging from connectivity, collaboration, cloud, security, IoT and marketing solutions, they offer the largest portfolio of ICT services for businesses in India.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Improve company environment & reduce attrition rate
- Help the company navigate its way through industrial change
- Staff augmentation to enable better handling of projects
- Help with data gathering and due diligence for pending deals
- Help fulfil any other pending tasks

Outsourced CFO Role

- Providing candidates across different departments
- Departments included Taxation, FP&A, M&A and R2R
- Provide candidates and also to give them guidance
- Provide a SPOC from our team to discuss with the managers their issues and visit them on weekly basis

Impact Delivered

- Provided **11 candidates across different departments** to help with necessities like MIS, Payments, etc.
- Provided expertise in departments like **Taxation, FP&A, Due Diligence, M&A, R2r & Audits** and help close deals still in the pipeline
- Started with 06 months and then extended by another **06 months**

11 – Case Studies: NRT*

Facts



Industry	Ownership	Management	# of Employees	Size	Project Duration
Healthcare – Pharmaceutical	Public	Professional	126,000-150,000 globally	\$ 50-75 billion	6 months

Company Profile

NRT* is one of the largest multinational pharmaceutical companies in the world. As a part of its global product portfolio transformation, NRT spun off its Over-The-Counter Division (OTC Division) in one of its global subsidiaries to a Joint Venture with OGS (Acquirer). The transaction was structured as a 'sale of business' for a consideration of ~USD 20million. Practus was called in by NRT as Interim CFO for the OTC division to project manage the transition of accounting and financial processes.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Delivering on-time, regular and accurate reporting data as per Global Reporting standards of NRT till 'Closing Date' and as per OGS standards from the Closing Date
- Deliver variance analysis and management commentary for decision making to ORG on a monthly basis
- Contract novation
- Finalising 'cut over' of data from legacy system (SAP)

Outsourced CFO Role

- Old outstanding vendor balances were settled and No Dues Certificate was obtained from all major vendors
- Novated contracts of ~130 active vendors and ~65 active customers
- Facilitated stock count and transfer of ~1,300 SKUs of Raw Material and Finished Goods inventory
- Computed provisions for dues to Distribution Agents
- Facilitated de-activation of all GL Codes and Cost Centres relating to OTC Division in legacy SAP
- Warehoused all pending litigation and tax matters relating to OTC division

Impact Delivered

- **All vendor accounts settled within ~45 days** of Closing Date
- Month closing of OTC division completed in **OGS' ERP (Oracle) within 50 days** of Closing Date
- **90% of contract novation's** completed within **21 days** of Closing and 99% within 45 days
- **100% compliance with Financial and management reporting timelines to NRT and OGS**, for all months of the engagement
- **Coordinated and ensured 100% compliance** with actions agreed for Finance and Accounts matters, in weekly Steering Committee meetings
- Traced, quantified the exposure and ensured **systematic documentation of ~100 legacy pending legal and tax matters**, for further resolution by NRT team

12 – Case Studies: SF Foods*

Facts



Industry	Ownership	Management	# of Employees	Size	Project Duration
F&B	Privately Held	Professional	500-750	\$250-300 million	18 months

Company Profile

SF Foods is a food services and a restaurant company operating stores across various brands: KFC, Pizza Hut and Delifrance. It is one of the two key franchisees in India for an American fast food operator of Taco Bell, KFC, Pizza Hut and Wingstreet. SF Foods has taken over around 280 outlets in India & Sri Lanka. SF today is company having more than 9000 people and turnover of around 700 Crores. Post acquisition, SF has operating and having development rights in 15 states of India

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Identify & study the existing processes of the franchisees, recommend and implement best practices
- Assist the client in pre-deal closure and obtaining/transfer all the operating licenses to the new company
- Assistance in getting all statutory Registrations at Pan India Level
- Collating required data from different ERPs and IT Systems
- Significant increase in business & financial reporting request from the Investors & promoters

Outsourced CFO Role

- Implemented best processes & comprehensive SOP documents, Developed of Approval Hierarchies, Chart of Accounts, vendor master, location master, etc.
- Set up of entire Banking & Treasury, Finalized the vendor Invoice processing, AR processing, Project Accounting & FA managements
- Various Automations & Customizations in ERP system for Accurate & timely financial & management reporting
- Building operating Budget for 2016-17 to track actuals vs. Budgeted

Impact Delivered

- **Acquired operating licenses and statutory Registrations** at PAN India level
- Started Pan India level operation of Initial **100 stores within 2 months** of our engagement
- **Implementation of best practices & integrated IT systems**
- **Positive EBITA post consolidation** of the business
- **Manage the entire volume of Finance function** and operation in spite of unavailability of clients finance team
- **Assistance in taking business decision through robotics MIS, Dash Boards & BI tools**

13 – Case Studies: Paypro*

Facts



Industry	Ownership	Management	# of Employees	Size	Project Duration
Professional Services	PE Backed	Professional	20,000-22,000	\$100-200 million	6 months

Company Profile

A large India and Southeast Asia focused Private Equity firm acquired a global human resource firm's (AH*) payroll processing business (Paypro*) in the Asia Pacific region which covered 600 very large corporations in the Asia Pacific region. Paypro has significant business in China, Hong Kong Singapore and India, run through 4 different legal entities with back office in India. Practus was called in by the PE Fund to act as Interim CFO and manage the transition

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Practus was called in as Interim CFO role to manage day to day operations and manage the transition process from PayPro to NewCo
- Ensure that the contract novation of Paypro customers was done in favour of NewCo
- Assist in implementing terms in SHA, involving Singapore HoldCo infusing cash in India NewCo, which in turn acquired Paypro India business
- Cash flow management and forecasting, including making sure red flags were being raised to investors for any interim cashflow support
- Put in place of initial systems and processes, so that the business operations could be streamlined and automated quickly

Outsourced CFO Role

- Manage entire subsidiary structure for shares transitions & business purchase agreements. Involvement in interactions with external advisors for study of transfer pricing regulations and coordination with investors
- Ensured Novation of the 500+ client contracts having varied terms within time and mapped them to more than 50 clauses while each of these clauses had anywhere between 1 to 10 variations for consideration. Created a MS Access database with parameterized contract terms and document storage
- Project managed transition plan and worked with the operations team to ensure the whole engagement is completed within 6 months
- Prepared bridge for working capital facility with weekly forecasts and red flagging mechanism
- Assisted in setting up the new accounting systems and processes, setting up delegation of authority matrix and involved in computation of the Purchase price consideration and calculation of Goodwill along with a Big 4 firm

Impact Delivered

- Advance **Cashflow call outs** to investors assisted them with **enough time to arrange the funds and meet requirements** in time
- **Achieved 95% of contract novation within 15 weeks of** coming on board
- **Opening of bank accounts within 4 week of** commencement of the engagement and smooth banking operations and relationship
- **Implementation of systems and Processes** – Tally ERP for accounting, control over PO commitments and **Timely delivery of MIS Reports**
- Creation of **database repository in MS Access** for entire existing and new **novated 500+ contracts** and addendums in **within two months**
- Allowed adequate time **for the new CFO to be able to settle into this role** while Practus in parallel assisting in operations and managed **smooth transitioning of the role** during his initial period

14 – Case Studies: Titanic Cruises*

Facts



Industry	Ownership	Management	Tool	TCO	Size	Project Duration
Vacation Cruises	MNC	Professional	GIDE	<\$20,000	\$3-5 billion globally	~2 months

Company Profile

Titanic Cruises*, a British cruise line, is the world's largest cruise operator comprising of 10 distinct brands and has over 250 different cruise itineraries available between 2-21 days in length. Titanic Cruises* is the oldest cruise line in the world, having operated the world's first commercial passenger ships in the early 19th century.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

The company had manual & time consuming process for forecasting & budgeting with complicated & unorganised data in rigid model with limited scope for analysis and wanted to map its business processes and document SOPs hence required assistance in

- Designing process controls & audit checks
- Defining terms for SLA & Mapping transition of new brand
- Review and improve existing forecasting and budgeting model
- Converting the complicated & unorganised data into data that can be used in forecasting - Create a dynamic budgeting tool
- Business Process Mapping

Outsourced CFO Role

- Defined & automated the whole exercise with Single assumption sheet with capability to include new brands, accounts, etc
- Implemented SOP with self explanatory flow charts for future references
- Built a dynamic model with inbuilt what if scenarios analysis
- Defined terms for Service Level Agreement with new brand
- Created permanent back up & format of document for transition of other brands
- Provided SOP with self explanatory flow charts for future references

Impact Delivered

- Implementation of **Single data entry sheet** covering all the requirements of tool with all the calculations linked to it – **Improved the Controls and Efficiency & reduced user efforts**
- **Automated forecasting** for 12 months on the basis of assumptions and actuals which took care of **Dual financial reporting requirement (UK & India)** within single forecasting tool
- Tool Covers monthly, quarterly or annually comparatives between actuals v/s forecasts v/s budgets between along with **graphical presentation of data wherever required for improved decision making**
- Automation - Actuals linked to the source file directly to the tally source file to **reduce user efforts of changing formats and Lowered manual dependencies for Analysis and reporting.**
- Easy transition of other brands due to Outsourced CFO's business process documentation with self explanatory **flow charts, RACI metrics, TAT** for each activity & escalation metrics
- **Better utilization of Senior Management's** time in more productive activities

15 – Case Studies: SDK*

Facts



Industry	Ownership	Management	# of Employees	ROI on Fee	Size	Project Duration
Consumer Staples	MNC	Professional	200-350	8x	\$200-300 million	30 months

Company Profile

SDK* is a Swedish-Danish company and one of the largest producer of high-value added vegetable oils and fats. The company took over 51% stake in an Indian promoter driven company. The company faced challenges in integration on account of differences in cultures, separation of KMP in Finance and lack of a proper handover.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Outsourced CFO was called in an Interim role to manage the day to day operations and stabilize the F&A department
- Implement commodity and forex risk management frameworks and Implement internal controls in line with SDK policy
- Daily Cashflow and risk monitoring and coordination with Global Treasury Team
- Implement Budgeting, Forecasting and performance management systems in line with SDK policy
- Recruit new team members in F&A
- Roll out ERP
- Participate in all Management Committee meetings and Integration Steering committee calls
- Transition from a small CA audit firm to a Big4, without audit qualifications in Year 1

Outsourced CFO Role

- Framing and monitoring of Commodity Risk & Currency Risk Management Policy
- Ensured mitigation of volatility of Risk through setting up volume limits (Oil type wise open positions) as well as monetary exposure limit (open interest in both oil and currency)
- Conversion of IGAAP Financial Statements to IFRS for monthly consolidation and alignment of Group Accounting policies
- Shifting of focus from Import to Local Procurement to control volatility
- Managed compliance with Global Covenants by raising of Funds in India with Zero Collateral against Credit Facilities from Banks
- Reduced cost of funding through negotiation with banks
- Designing of IFC Controls Framework covering key business areas and introduced compensatory manual controls
- Recognition of Sales revenue in line with IFRS requirements

Impact Delivered

- Time taken to publish monthly MIS **from 15 days to 4 days** for consolidation of India MIS at SDK group level
- Focus on Building Strong Team - **Not a single resignations post Outsourced CFO entry** and managed **smooth transition of CFO Functions** from Outsourced CFO to newly joined 'employee CFO' at the end of 12 months
- Improvement in **Debtors Credit Period from 30 (contractual) to 16 Days** - Achieved the title of **Best Cash Management Team across all Group Companies Worldwide last year**
- **Inventory holding reduced** from 30,000 MT to 16,000 MT
- **Satisfactory completion of Statutory Audit** for period ending 31st Mar'17, including **Group Audit** for period ending Dec'16
- Achieved **Credit Rating Improvement** by two notch -from "BBB -ve to A -ve" by Ratings Agency which in turn helped in **reducing Finance Costs by almost 50%** because of improvement in ratings

16 – Case Studies: Precision Systems *

Facts



Industry	Ownership	Management	# of Employees	ROI on Fee	Size	Project Duration
Manufacturing	Public Limited Company	Family Managed	210-350	4x	\$70-100 million	12 months

Company Profile

Precision Systems** (PS) is a 40 year old company involved in manufacturing auto fasteners and having Joint Ventures, License Agreements, and Alliances with different fastening companies globally. The company was passing through difficult times - incurring huge cash losses and the net worth being negative.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Outsourced CFO has been called in for a Interim CFO engagement
- Assistance in providing a settlement plan between promoter's family
- Partnering the MD to put the company back on growth trajectory
- Assistance in Restructuring of borrowing arrangements with bankers and NBFCs to reduce cost of funding
- Assist in Finding new sources of debt and/or equity capital
- Roll out Business Process improvement and Automation initiative
- Implement Cost optimization initiatives and Improve inventory turnover and debt servicing to EBIDTA ratio

Outsourced CFO Role

- Engaged in multiple rounds of discussions and ensured detailed interactions with key stakeholders - Currently in the process of resolving the differences and by developing a family settlement plan which satisfies one and all
- Restoring Financial Discipline - Tightened internal controls to ensure no revenue leakage
- Assistance in Providing a bridge financing that is necessary for company survival and represent and get involved in complex negotiations for Debt re-financing/borrowing arrangements
- Cost Optimization initiative undertaken to Reduce costs and prioritize spends and improve operational efficiencies.
- Regular detailed MIS reports for assistance in better management decisions
- Reviewed present processes and embarked on a process improvement and Automation initiatives

Impact Delivered

- The company benefited from Business Process Improvement measures and streamlining of Finance procedures which resulted in Better Management
- Achieved Liquidity improvement by instituting solid management practices Cost Optimization initiatives yielded Cash profit and improved working capital and process efficiency
- Better and improved Market capitalization - weeding out unprofitable products lines/operating units and selectively increasing prices on high value lines, thereby improving margins and improving earnings and cash flow dramatically.
- Control systems development assisted in going beyond the cash flow pipeline controls and also concentrate on operational control system
- Maintenance of tight financial discipline and Financial evaluation of strategic-growth decisions using simple financial models put the company Back on growth path

17 – Case Studies: VoyagePapers*

Facts



Industry	Ownership	Management	# of Employees	ROI on Fee	Size	Project Duration
Professional Services	MNC	Professional	5000-5500	25x	\$600-700 million	36 months

Company Profile

VoyagePapers* is the world's largest outsourcing and technology services specialist for governments and diplomatic missions worldwide. With 2214 Visa Application Centres (VACs) and operations in 126 countries, VoyagePapers serves the interests of 50 client governments.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Practus was mandated as an Integration Specialist and appointed as a PMO for integrating InfoT** with VP**
- Lead the project Integration Planning exercise along with the key stake holders
- Advisory and Execution support to line management in specific workstreams like HR and synergies
- PMO also involved in identification of cost synergies for VP**
- Monitor, Report and provide Assurance to stakeholders on the integration progress

Outsourced CFO Role

- Integration Planning included:
- Detailed reading of Entity Structuring Memos, Due Diligence reports, SPA amongst others
- Providing detailed plan for 5 workstreams – HR, Synergy, Finance, Ops and IT
- Execution and Support included:
- HR – Communication strategy, grade alignment, development of integrated organisational structure
- Synergy – Preparation of efficiency benchmarking models, VAC consolidation simulations and developing a monitoring mechanism

Impact Delivered

- **Cost savings of ~ USD 1 million** achieved in the span of 6 months
- **Helped provide visibility** on integration to the management by providing weekly progress trackers
- Enabled the business to **understand synergies at risk**. For eg, Practus estimated that synergy of **CHF 0.80 million is at risk over rationalisation of key corporate & admin staff**
- Practus took control of **synergies workstream and insured synergy estimates worth ~ USD 6 million**
- Provided Inputs to the Management for **culture/people integration**

18 – Case Studies: Mona Tolls*

Facts



Industry	Ownership	Management	# of Employees	Size	Project Duration
Industrials	PE Backed	Professional	400-500	\$100-150 million	36 months

Company Profile

Mona Tolls* is one of India's fastest growing infrastructure developers. The Group has diversified to include Infrastructure, EPC, Realty, Technology and Natural Resources in its fold. The Group has a turnover of around INR 800 Million and is currently executing 32 projects in 15 states in India.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Attending Board Meeting and Other Review Meetings of Company
- Drive the preparation, management and presentation of Budget of Company
- Finalization of Books of Accounts as IGAAP and INDAS for the FY 2016-17
- Finalization of Statutory Audit of STPL of FY 16-17
- Preparation of documents/details for lenders and NHAI
- Meeting with Lenders and NHAI whenever required
- Assist company to get the NOC from Lenders & NHAI for transfer of Shares from SEL to STPL.

Outsourced CFO Role

- Finalisation of books of accounts of Company of FY 2016-17
- Finalisation of Audit of Company for the FY 2016-17
- Represent the accounts to the board of company and got their approval
- Team has also assisted company for Finalisation of Valuation Model of all road projects, represents the same to auditors and management and got their approval
- Prepared documents for lenders & NHAI and represent the same in meetings
- Prepared the Budget of FY 2017-18 and submitted the same to Company

Impact Delivered

- Outsourced CFO **deep-dived and resolved the open issues** (it involved discussion with multiple stakeholders and bringing best practice). Assisted Company to finalise the books
- Completely assisted STPL to **prepare financial statements**, annexures, etc. for submission to the auditor
- Most of the accounts were dormant. **Outsourced CFO found out the ways** & means of obtaining the required documents
- **Successfully** developed the financial models on priority, and successfully got the approval of both client and auditor
- **The IND-AS Financials** were made error-free, to the satisfaction of all stakeholders. Also, MAT liability has been saved based on the classification and valuation of INDAS
- **Weekly update** on Process of Share Transfer-NOC to Mona Polls*

19 – Case Studies: GBC Shipping Ltd *

Facts



Industry	Ownership	Management	# of Employees	ROI on Fee	Size	Project Duration
Marine	Private	Professional	150-300	3x	Confidential	4 months

Company Profile

GBC Shipping Ltd.*, the flagship company of GBC group was incorporated in the year 1985 as GBC Shipyard Pvt. Ltd. with the main objects of carrying Shipbuilding and Ship Repair business. In a span of 15 years from the year 1991, the company had achieved the status of the largest private sector shipbuilding yard in India with satisfied customer base all around the world.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Designed Cash control measures and reporting's in the specific areas
- Compliance on Listing requirements with BSE and NSE
- Contribution to forensic audit
- Enforcing customs officials to stop auction during moratorium period
- Contribution to Interim Fund raising activities.
- Contribution to filing petitions with NCLT (National company law tribunal)
- Attending income tax cases relating to Transfer pricing, summons, scrutiny etc.
- Debt restructuring arrangement study

Outsourced CFO Role

- Meetings with HOD to give insight of IRP(Resolution Process)
- Arranging valuation report for three locations.
- Design SOP for control over assets, inventory and cash.
- Interaction with income tax, customs, bankers, Ministry of defense & Ministry of shipping.
- Design recovery strategy and pass claims of financial and operation creditors
- Supportive function for COC (creditors of committee meetings for lenders)
- Team management of 16 (including 3 qualified CA, 1 CS, 1 Advocate ,1 IRS)
- Draft progress report and debt profile of financiers
- Arranging IT support on SAP FICO module

Impact Delivered

- Going concern with **1/3 of the monthly Budgeted expenses** consistently for 3 months
- Operational control of repairs and job work logically at site for ship repair. Study of Ministry of shipping for subsidy and put up claim for recovery
- Finalization with Statutory auditors. Designed Internal control measures for payments to avoid irregular and inconsistency in payments
- Generation of sources of revenue. Meeting with Ministry of Defense and other receivables. Leading a team of recovery from receivables
- Tapping up with Insurers for quotes of various insurances policy's and cost saving of about 65% on the total insured value
- Supportive functions for FEMA, MCA, SEBI and other compliances

20 – Case Studies: SSA Steel Ltd*

Facts



Industry	Ownership	Management	# of Employees	Size	Project Duration
Mining & Metals	MNC	Professional	5000-5500	\$14-16 billion	1 year

Company Profile

SSA Steel Ltd* is a fully integrated flat carbon steel manufacturer – from iron ore to ready-to-market products – with a current capacity of 10 million tonnes per annum (MTPA), Its manufacturing facility comprises ore beneficiation, pellet making, iron making, steel making, and downstream facilities including cold rolling mill, galvanising, pre-coated facility, steel processing facility, extra wide plate mill and a pipe mill.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Complete and successfully commission the entire project which was struck for 3 years on account of various bottle-necks and amounted a interest cost to the tune of xxx Crores per annum to the company.
- Stabilise the quality of the output which were marred by Internal technical inefficiencies, to start exports
- Handle internal and external stakeholders to ensure smooth functioning

Outsourced CFO Role

- Environmental and forest clearances, boundary management issues, legal cases including in National Green Tribunal, problem of water connection, hostility of locals, NGOs and media, public relations
- Worked with essentially the company's existing team to make things happen, with little enforcement
- Leading the team from the front, motivating them through performance by example
- National Green Tribunal had stayed further construction of the plant, took initiative to find out the real reason for the stay and sorted out all the grievances and ensured that the stay is vacated
- Came up with innovative solutions to problems and worked with technical team to ensure consistency and efficiency in quality, for meeting export specifications.
- Production bottlenecks were identified and streamlined ensuring safety of the ground staff.
- Identifying areas of support that the team needed and ensuring that they are made available

Impact Delivered

- Plant was Commissioned within one year
- A robust technical team with knowledge of all internal controls was created
- Streamlined the Quality output for Exports
- The cost of transportation of Ore was reduced to Rs xx per tonne from Rs xxxx per tonne giving a robust boost in cost efficiencies by operational turnaround
- Plant functioning was harmonised and all possible bottlenecks eliminated
- All areas requiring support were identified and a full support structure was provided to team

21 – Case Studies: SM Hotel*

Facts



Industry	Ownership	Management	# of Employees	Size	Project Duration
Hospitality	Privately held, PE backed	Professional	100-250	\$6-8 million	12 months

Company Profile

SM Hotel* is a hotel asset company that specializes in development, acquisition and ownership of branded hotels operating under well recognized brands such as Courtyard by Marriott, Hyatt Place, Fairfield by Marriott, Four Points by Sheraton and Formula 1. The brand owned 25 hotels, 3900 Rooms across 12 cities in India.

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- The engagement was aimed at providing better governance, compliances and transparency in the company's operation
- Improvement in internal financial control framework through budgets and cost centers
- Automate processes through ERP implementation
- Take ownership of the treasury function -Evaluation and reporting of treasury function
- Provide effective dashboards and reports for the CEO to make informed decision.

Outsourced CFO Role

- Implemented best processes & comprehensive SOP documents
- Developed delegation of authority, Chart of Accounts, vendor master. Location master etc.
- Initiated various Automations & Customizations in ERP system for Accurate & timely financial & management reporting
- Built operating Budget for 2015-16 to track Actuals vs. Budgeted
- Design and define the scope of internal auditor and support the company for better internal control
- Implemented high quality comprehensive MIS with visual dashboard

Impact Delivered

- Implementation of Budgetary Control, On time Monthly Closing & financial reporting – Consolidate & publish annual Financial Statements
- Business process Re- engineering, automation assisted in reducing time investment of Key resources and management
- Investment of surplus funds in different financial instruments
- Successful implementation of Oracle ERP - Lowered manual dependencies for Analysis and reporting.
- Positive EBITA post consolidation of the business – additional income of more than 300Mn (investment of surplus funds)
- Assistance in taking business decision through robotics MIS, Dash Boards & BI tools
- Multi dimensional, different properties and pick and choose results from many combination through robotics MIS, Dash Boards & BI tools

22 – Case Studies: Image Building Manufacturing*

Facts



Industry	Ownership	Management	# of Employees	Size	Project Duration
Construction and Interior Decoration	Public Listed	Professional	400-500	\$100-200 million	12 months

Company Profile

Image Building Manufacturing Private Limited (IBMPL)* is into the supply of Construction and Interior Decoration materials manufacturing and sales which includes the responsibility to Market the Arts and Sculptures of rural areas of country to be made available

**Names masked for confidentiality.*

Deal Summary

Client Requirement

- Assistance in Day to day operations causing business challenges, risks, and opportunities
- Acquisition strategy assistance, profitability improvement, outgrowing physical space
- Prioritization of growth opportunities from an operations perspective
- Capital budgeting in order to be commensurate with the growth projected in the business plans to investors
- Assistance in finalizing locations by way of branch modelling exercise

Outsourced CFO Role

- Carry out Due-diligence of proposed targets in order to identify top 2 lucrative acquisitions
- Assist in investigating and analyzing investment opportunities
- Develop a Capital budgeting plan
- Assist in finalizing the new location for their site by taking into consideration various parameters as informed by the client
- Create a financial model and do a 'what-if' analysis on the available location options
- Regularly track upcoming working capital needs

Impact Delivered

- Outsourced CFO assisted in analyzing acquisition opportunities, thereby **saving 115 hours**
- Negotiating value of acquisitions and thereby saving **35% of expected outflows**
- Developed **financial targets** for the business and created financial models for the combined businesses to analyze the businesses value post acquisition
- **Developed Channel Strategy** to assist in prioritizing growth opportunities
- **Expanded their existing credit line** by liasoning with the Banks

Notes

This image shows a single page from a notebook or ledger. It features approximately 20 evenly spaced horizontal blue lines across its entire width. The margins are consistent on all sides, and there are no vertical lines or other markings present. The paper appears clean and unused.



**Western India Regional Council of The Institute of
Chartered Accountants of India**
(Set up by an Act of Parliament)

